CARMIGNAC
RISK MANAGERS

2021 STEWARDSHIP REPORT

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FOREWORD

At Carmignac, we believe a company that does not function in harmony with its environment and stakeholders is doomed for failure. We have always been mavericks, we have always tried to make a difference, sometimes by taking side roads and always with our clients in mind. Being a family business enables us to take a long-term view while embracing Environmental, Social and Governance (ESG) credentials. In more than 30 years of existence, we have managed to maintain and evolve a long-held practice of investing responsibly by avoiding tobacco or companies involved in the manufacture of controversial weapons. Also, we have focused on companies with a minimum appropriate level of corporate governance standards and transparency, and even more so given our long-standing exposure in emerging markets. It was deemed necessary, as we committed ourselves to make available to our clients and retail investors, asset classes and products mostly reserved to institutional investors. Over time, our active approach has remained steadfast, driven by our ultimate purpose: to efficiently manage investors' savings.

Our responsible investment approach gives us an in-depth picture of a company's true potential, helping us to make better investment decisions. ESG considerations are integrated within our investment team's approach across all asset classes. I encourage you to read this inaugural Stewardship Report for you to see what we have achieved in 2021. Taking into account our investors' interests we have continued to evolve our practices to render our accountability and understanding of ESG risks and opportunities more efficiently and take our active management and ownership a step further.

Our investors' expectations have also evolved as they are increasingly mindful of the impact of their investment decisions on the planet they live in and on the society they are part of. Carmignac's commitment to responsible investing is, in parallel, increasingly reflected in our fund offering as we aim to empower our end clients. In 2021, we have engaged teams all across the firm and reached close to 90% of our assets classified Article 8 and 9 under the European Sustainable Finance Disclosures Regulation (SFDR). As we explain in this report, this was supported by the launch of our rigorous "Outcomes Framework" for Article 9 funds based on the United Nation's Sustainable Development Goals (SDGs) which requires companies to derive at least 50% of their revenues from activities which have a positive contribution to at least one of nine SDGs we deem as investable. These positive developments come with the recognition that the investment industry is only at the beginning of the journey towards greater integration of ESG considerations within investments. We will continue to evolve and improve our processes, actively, and with a fair balance of humility, creativity and hard work.

Managing ESG risks and opportunities across all asset classes has become overtime a key feature of our primary mandate, which is to manage our investors' money efficiently over the long-term. Our actions do not stop at the investment decision level. We are also an active owner of the companies we invest in, on behalf of portfolios managed. As we describe in this report, we use our voice through company engagement and exercise our voting rights to encourage them to adopt best practices and to transition to a more sustainable profitability, in line with Carmignac's three ESG themes of focus: Climate change, Empowerment and Leadership. In 2021, we undertook 84 company engagements and opposed the management of our investee companies at least once at 41% of the shareholder meetings we voted.

Ultimately, we believe that our fiduciary objective covers both financial returns and creating positive value for society and the environment. I hope you will find reading this report worthwhile.

Edouard Carmignac

OUR APPROACH TO STEWARDSHIP

ABOUT CARMIGNAC

Founded by Edouard Carmignac and Eric Helderlé in Paris in 1989, Carmignac is an independent asset management company, entrepreneurial in its nature, which strongly believes in the power of human-driven insight and is actively committed to every client.

1989	1999	2008	2011	2012	2015
Carmignac was founded by Edouard Carmignac and Eric Helderlé, and obtained license approval as management company by the Autorité des marchés financiers, the AMF.	Opening of the Luxembourg's subsidiary. In 2013, Carmignac Gestion Luxembourg obtained license approval as management company by the CSSF.	Office opened in Spain & Italy	Office opened in Germany	Office opened in the UK	Office opened in Switzerland

€ 41.7
Billion of assets under Management

More than €2
Billion of equity Capital[1]

300
STAFF

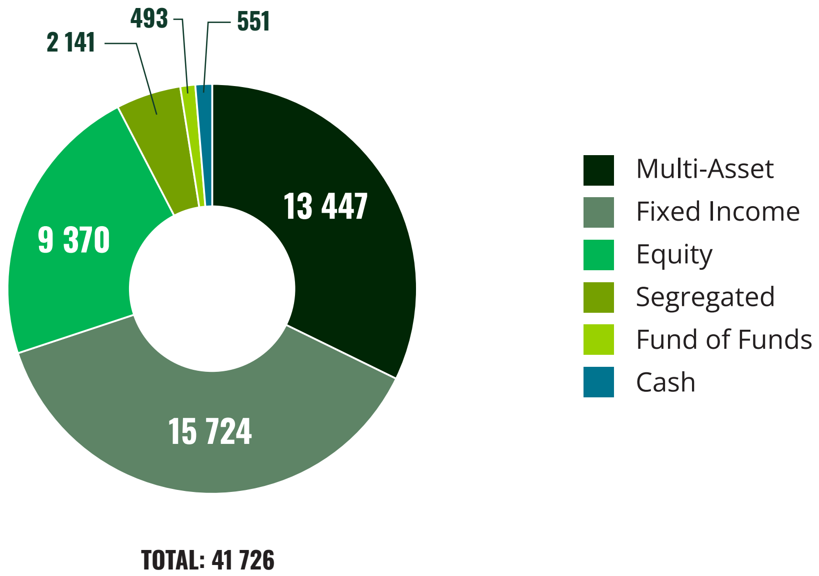
53
Fund Managers and Analysts

23
Investment strategies

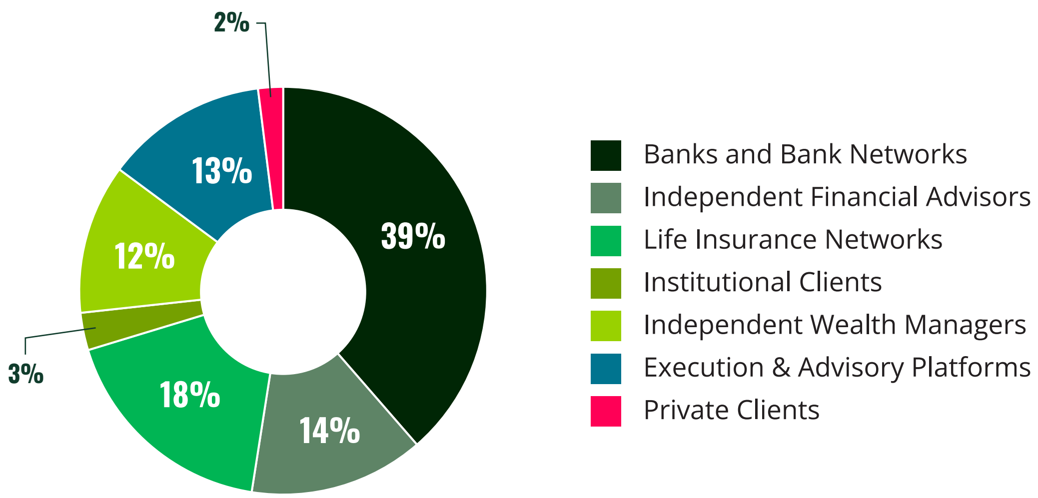
15
Countries in which our funds are marketed

(1) Source: Carmignac, 31/12/2021

ASSETS UNDER MANAGEMENT BY STRATEGY IN MILLION EUROS*

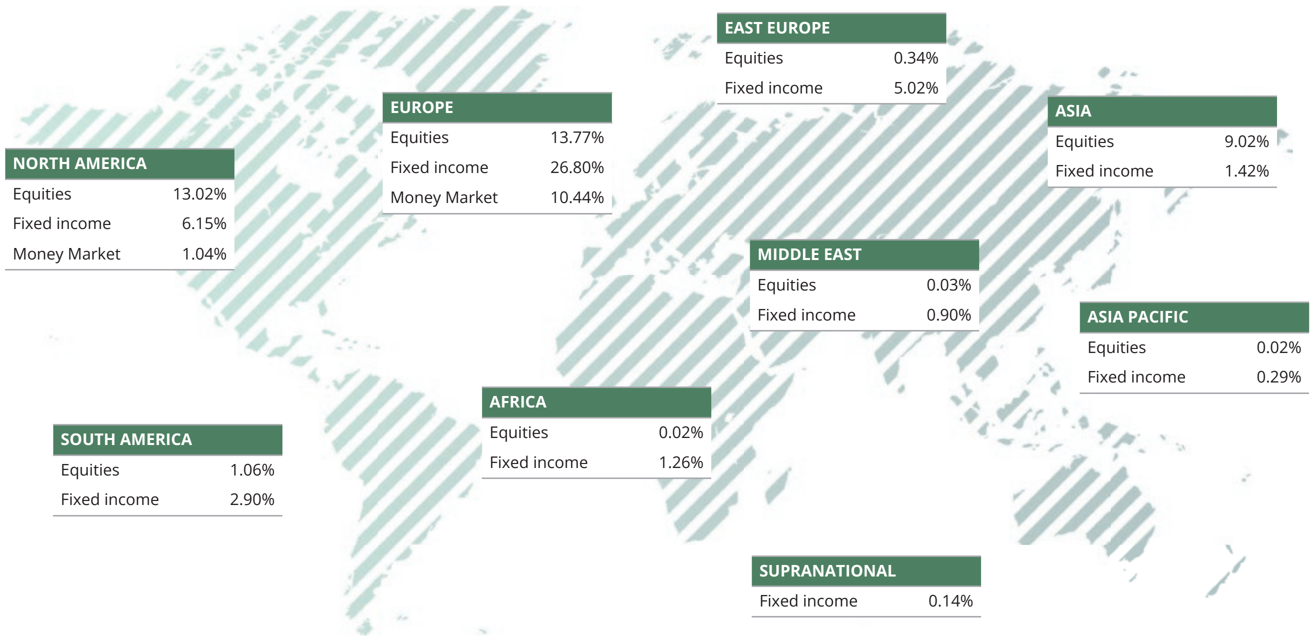


ASSETS UNDER MANAGEMENT BY CLIENTS*



* Source: Data as at 31/12/2021

OUR ASSETS BY GEOGRAPHY*



Initially Carmignac relied on French financial investment advisers to distribute its products. Today, Carmignac's predominant distributor client base is composed of large independent advisers, retail and private banks, insurance networks as well as institutional clients. These distribution networks are established mainly in core continental European countries, and in the United Kingdom, where it can use its well-established third-party distribution model.

OUR PURPOSE AS A FIRM

Our mission is to create value for our clients and positive outcomes for society and the environment. As active investors, we use our shareholder rights to drive companies to improve their climate goals, their leadership, and their human capital empowerment. We are independent and not constrained by short-term results, we go beyond the current state of play and consider their trajectory. We couple this freedom with discipline, through proprietary quantitative analysis, enriched with Portfolio Managers and Analysts' insights.

OUR INVESTMENT BELIEFS AND STRATEGY

Our focus is to actively manage our clients' savings who are the ultimate client of our distributor networks. To meet our clients' long-term savings objectives, we implement a conviction-based investment approach within a concentrated number of strategies.

Carmignac has a deliberately concentrated range of strategies focusing on four principal areas where we have developed a recognised expertise, which are:

10 EQUITY STRATEGIES

- INVESTISSEMENT
- GRANDCHILDREN
- FAMILY GOVERNED
- GRANDE EUROPE
- EUROPEAN LEADERS
- EURO-ENTREPRENEURS
- EMERGENTS
- EMERGING DISCOVERY
- GREEN GOLD
- CHINA NEW ECONOMY

5 MULTI-ASSET STRATEGIES

- PATRIMOINE
- PATRIMOINE EUROPE
- EMERGING PATRIMOINE
- LONG-SHORT EUROPEAN EQUITIES
- INVESTISSEMENT LATITUDE

7 FIXED INCOME STRATEGIES

- GLOBAL BOND
- FLAXIBLE BOND
- SÉCURITÉ
- EM DEBT
- CREDIT 2025
- COURT TERME

1 PROFILED STRATEGY

- PROFIL RÉACTIF

All our Funds integrate ESG criteria in their investment process, but some take but some take a more committed approach to either environmental and/or social characteristics or objectives.

Socially Responsible approach

Thematic ESG approach

Our fund marketing materials clearly define the recommended minimum investment horizon and risk scale, to aid distributors and clients match investment product profiles with their preferences. Given the higher volatility of equity prices, all of the equity strategies mainly have a minimum investment period of 5 years, our mixed assets strategies funds 3-5 years depending on fund universe as emerging markets require a longer recommended investment horizon and our fixed income strategies from 2-3 years.


FP Carmignac
European Leaders A GBP Acc
OEIC

M. Denham

FACT SHEET 03/2022

Recommended minimum investment horizon: 5 years

Lower risk — Higher risk
Potentially lower return — Potentially higher return
1 2 3 4 5 6* 7

Investment Objective

A Europe ex-UK equity strategy seeking to achieve capital growth over a minimum of five years. The Fund follows a selective bottom-up investment process to find quality companies, businesses with attractive long-term prospects that can grow under their own steam, irrespective of the macroeconomic environment.

Fund Management analysis can be found on P.5

Equity Investment Rate: **99.02%** | Net Equity Exposure: **99.02%**

PROFILE

- **Fund Inception Date:** 15/05/2019
- **Fund Manager:** Mark Denham since 15/05/2019
- **Fund AUM:** 146M£
- **Domicile:** United Kingdom
- **Comparator Benchmark:** MSCI Europe Ex UK Net Total Return USD
- **Base Currency:** GBP
- **NAV:** 1.52£
- **Dividend Policy:** Accumulation
- **Fund Type:** UCITS
- **Legal Form:** OEIC
- **Subscription/Redemption:** Daily
- **Order Placement Cut-Off Time:** Before 12:00 (GMT)
- **IA Sector:** Europe Excluding UK
- **Morningstar Category™:** Europe ex-UK Equity

Carmignac believes that it is only through **1) active, risk managed**, and **2) a sustainable investment** approach in all asset classes and fund universes, that it can deliver superior and long term returns for its clients compared to a static or passive investment. Our investment approach and fund range can be found on our main **website**(2).

1. ACTIVE PORTFOLIO MANAGEMENT

This is achieved through:

INDEPENDENT AND PROPRIETARY RESEARCH

Investment decisions rely on Independent fundamental research which gives us a comprehensive understanding of countries, sectors and companies.

Examples of our proprietary approach: 1) proprietary ESG ratings system, START that includes both quantitative and qualitative research, 2) Credit team's corporate issuer proprietary research data base, 3) Equity team's proprietary research taking a stakeholder approach where all parts of the value chain are studied to create the investment rationale.

CROSS-FERTILISATION OF IDEAS

Our entrepreneurial culture favours teamwork, idea sharing, cultural and geographic diversity.

For example, our Healthcare Analyst collaborates with our China Analyst about how to spot the best healthcare companies in China to invest in. Our Credit Analyst works hand in hand with the Financial Analysts to make sure that when a bank is picked, we choose the best security across the capital structure, credit or equity. Our Head of Emerging Markets, who has a deep knowledge of Latin America, travels with our Consumer Analyst to identify the next e-commerce giants.

CONVICTION-BASED APPROACH

This cross-fertilisation encourages Analysts and Portfolio Managers to share their investment ideas.

For example, we believe the core of our investment returns are obtained though the recognition of long-term secular and sustainable trends, such as the role of technology and e-commerce in empowering consumers access to lower cost products and financial inclusion to name just one structural theme- which is particularly relevant in emerging markets.

RISK MANAGEMENT

The ability to manage market risks effectively has been a cornerstone of Carmignac's investment style for many years.

For example, as an active manager we offer risk managed funds through active portfolio construction, flexible exposure managed in our diversified funds and, where the fund mandate allows, the use of derivatives for hedging purposes. The front office risk management team help us also manage portfolio risk such as exposure to a certain country, currency or macro-economic event.

(2) https://www.carmignac.co.uk/en_GB/our-funds/our-approach-418

2. SUSTAINABILITY AT THE HEART OF OUR INVESTMENT APPROACH

INTEGRATION: Extra-financial analysis supplements conventional financial analysis to identify sustainability risks of investee companies within the investment universe with a coverage of above 90% of corporate bond and equity holdings. For the ESG Integration Policy 2022(3) and for information on the START system, please refer to the Integration section of this report or, alternatively, our website(4).

EXCLUSION: We avoid companies and sectors that conflict with our principles and values, for example tobacco producers or coal miners. Please refer to our Exclusion Policy(5) and Coal Exit Strategy Policy(6) on our website.

VOTING & ENGAGEMENT: as an active owner, we use our voice in regular engagements with our investee companies on material risks. These engagements can take place individually with the investee company or in collaboration with other investors. We also use our voting rights to vote against the management of a company when we have engaged with a company, and we decide to escalate our engagement or where a company's policy or behaviour does not meet our minimum ESG expectations under our voting policy. For further information, please refer to the Engagement and Voting sections of this report. In addition, we publish our Voting Policy and Engagement Policy documents on our website.

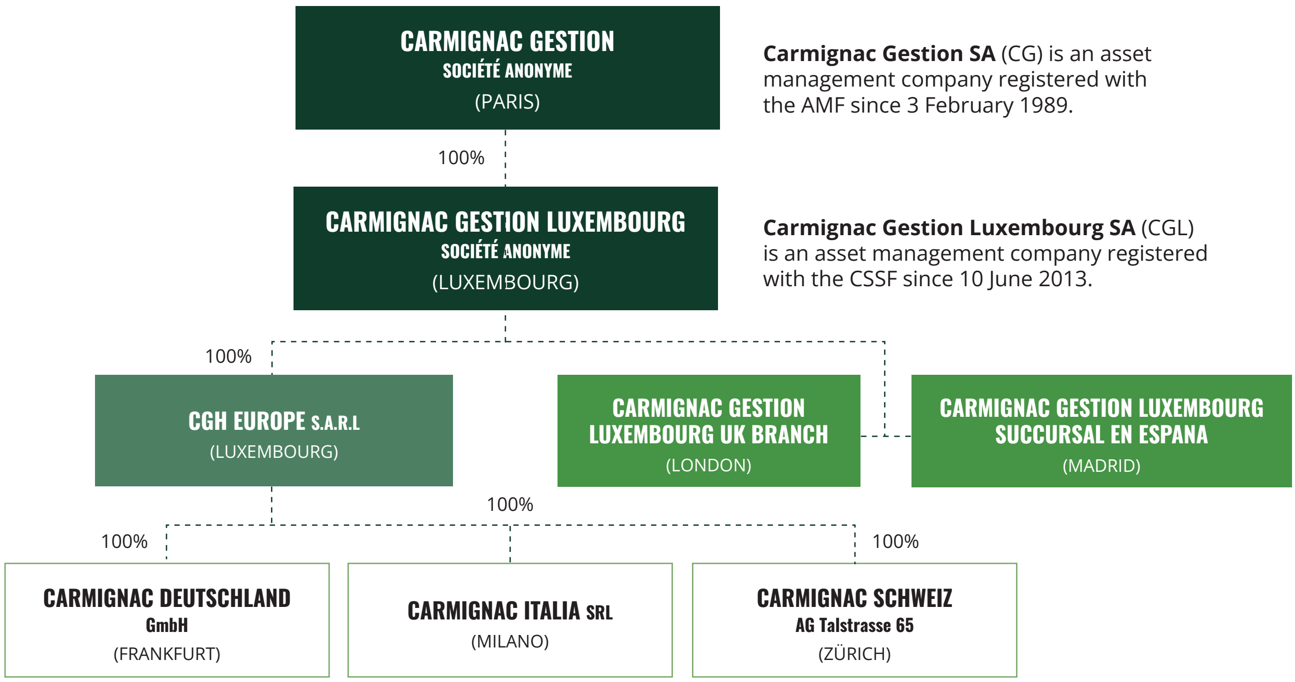
Carmignac has been a signatory to the UN supported Principles for Responsible Investment (PRI) since 2012.

Carmignac believes that it has a role to play not only on behalf of its clients in its fiduciary duty to invest sustainably but also within the industry to employ the best standards of practice and collaborate collectively to ensure an aligned approach in investing for the benefit of society and the planet. In this regard by becoming a PRI signatory in 2012, we have been able to progress each year to employ each of the 6 responsible investment principles across our whole fund range. In the most recent UNPRI assessment (2020), Carmignac was awarded with A+ for Strategy & Governance and Listed Equity Incorporation, as well as an A for the remaining categories, Listed Equity Active Ownership, Sovereign, and Fixed Income Financial and Non-Financial sections.

(3) https://carmidoc.carmignac.com/SRIIP_UK_en.pdf
(4) https://www.carmignac.co.uk/en_GB/responsible-investment/in-practice-4744
(5) https://carmidoc.carmignac.com/SRIEXP_UK_en.pdf
(6) https://carmidoc.carmignac.com/SRICOS_UK_en.pdf

OUR STRUCTURE AND GOVERNANCE

Carmignac is currently composed of two asset management's firms, 4 subsidiaries and 2 branches delivering a range of French FCP, Luxembourg Carmignac Portfolio SICAV and UK registered OEICs enabling Carmignac to offer investment vehicles and products adapted to local investor needs and jurisdictions.



A CLOSER LOOK AT OUR EXECUTIVE GOVERNANCE

Carmignac is a majority family-owned company, which ensures an entrepreneurial approach for its senior employees, through a share ownership structure creating a common alignment with our investors.

It is governed by the CEO and the Deputy Managing Director under the supervision of the Board of Directors, supported by an audit committee, a remuneration & appointments committee and the general assembly of the shareholders.

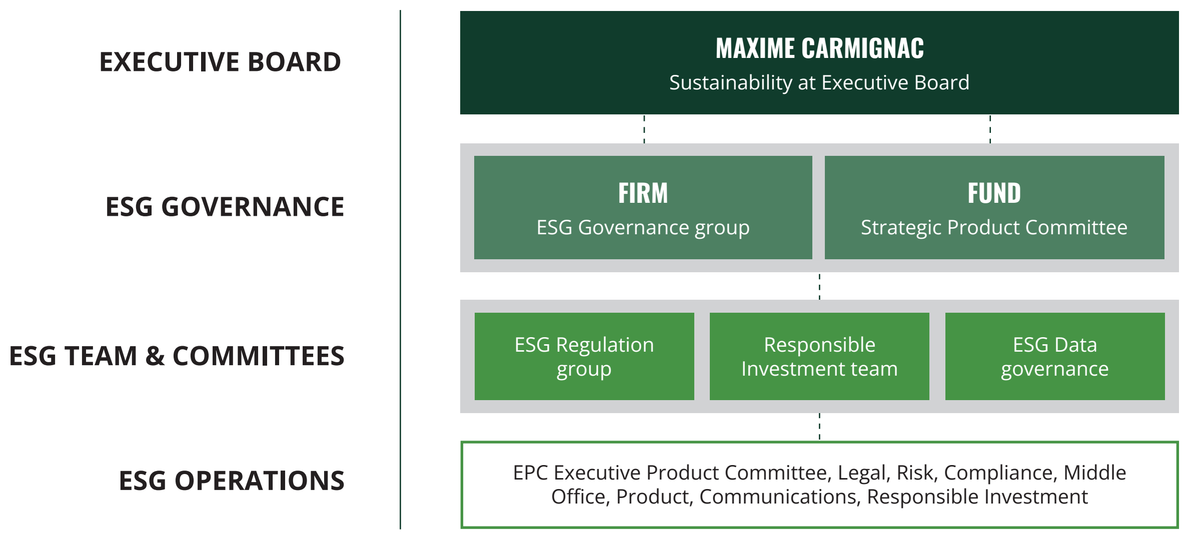
The Board of Directors of Carmignac Gestion is composed of 11 internal and external members. Edouard Carmignac, CEO of Carmignac, is the chairman of the Board. The role of the Board is to design and oversee the company's operating strategy. The Board of Directors meets at least twice a year and when necessary.

Please find more information on our governance in our website[7].

(7) https://www.carmignac.co.uk/en_GB/about-us/governance-424

ESG GOVERNANCE STRUCTURE

Carmignac's responsible investment values and strategy at the Carmignac Executive Board are expressed through the leadership and sponsorship of Maxime Carmignac, Managing Director of the Carmignac, UK branch. She leads the responsible investment philosophy, strategy and fund innovation at the corporate level.



It is the **ESG Governance group**, which is composed of some of our internal Strategic Development Committee members such as the General Manager, Heads of the Investment teams, the Head of Carmignac UK, as well as the Stewardship Director and the Global Head of Compliance, who has the ultimate responsibility and decision-making capacity for all stewardship activities at firm-level. This group met frequently in 2020 given the many upgrades of ESG data and procedures that were implemented. In 2021, given the intense phase of the RI roadmap was completed, less ESG governance meetings were needed.

The **Strategic Product Committee** is equally as key in regard to ESG related policies at the fund level. Led by the Managing Director of Carmignac UK, Maxime Carmignac, it is also composed of key stakeholders including the Stewardship Director, Global Head of Sales and the General Manager. Significant fund-level decisions are made by the committee such as the classification of our funds under the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) "Article 8" and "Article 9" categories.

Some examples of the activities of these committees and others are noted in the activity table below:

Committee	Objective	Frequency	Examples of activity during 2021
INVESTMENT COMMITTEE	Execute the 4-pillar approach incorporating sustainability into investment decisions for the Fixed Income, Equity and Cross Asset groups	Weekly	Equity, fixed income and macroeconomic focused meetings to define investment opportunities, risk parameters and catalysts. Weekly notes are circulated containing both financial and extra financial analysis and research. Voting research and recommendations are sent for key votes (see more detail on this in our Voting section).
STRATEGIC DEVELOPMENT COMMITTEE (CDS)	Deliberation of all strategic matters enforcing general strategy and oversee the company's various projects composed of head of departments	Quarterly and ad hoc	Firm-wide decisions such as how to implement remote working policies to ensure business continuity. A second example has been to emphasise the client journey through retail-oriented campaigns such as "Emancipate yourself" which included sustainability options.
STRATEGIC PRODUCT COMMITTEE	A senior fund product committee chaired by Maxime Carmignac that approves the fund range sustainability features, product innovation and all other aspects of the fund range	Weekly	Decisions taken to determine the appropriateness of fund classification under the EU SFDR categories "Article 8" and "Article 9", and to complete our label accreditation process. Decisions for fund launches and innovations, cost structures and other fund-related decisions.
STRATEGIC CLIENT COMMITTEE (SCC)	Determination of client strategy, identification of client needs, and end client customer journey	Monthly	Development of a Carmignac's "Outcomes Calculator" to help end investors understand their ESG-related investment choices. Our calculator will be launched in 2022.
EXECUTIVE PRODUCT COMMITTEE (EPC)	Operational best practices assuring alignment across operational departments	Monthly	Operational steps were outlined for SFDR disclosures involving prospectus, annual reports and websites. A process has been put in place for new funds to includes all ESG related parameters.
ESG REGULATION GROUP	A group chaired by the Stewardship Director. Understand the scope of EU sustainability regulation and implement it with legal, risk and compliance control procedures	Monthly	Execution of disclosure rules and fund classifications in prospectuses, periodic report and corporate websites to better inform our investors how ESG considerations, characteristics and objectives are employed. Engagement and voting commitments are precisely mentioned in all our prospectuses for our total fund range.
ESG DATA GOVERNANCE	Develop leading processes and functions to enable efficient access to ESG data and research by the investment teams	Monthly	After the launch of our ESG rating and research platform "START" (System for Tracking and Analysis of a Responsible Trajectory) in 2020, we have initiated a second version to implement new functionalities: a company engagement tool to monitor and record engagements has already been implemented, recording past voting decisions will be a functionality we will introduce in 2022. For more information on START, please refer to the Integration section of this document.

OUR RESPONSIBLE INVESTMENT RESOURCES

Carmignac has a dedicated Responsible Investment team to support its investment teams, headed by Sandra Crowl as Stewardship Director. She reports to Maxime Carmignac, Managing Director of Carmignac UK, member of the Executive Board of Carmignac.

In 2021, an experienced Governance Analyst joined the Responsible investment team to give depth and seniority to Carmignac's stewardship strategy in collaboration with the Active Equities and Fixed Income. This includes overseeing the Voting Policy, the quarterly corporate engagement plan, representation of Carmignac with our affiliations and thought leadership. The team also works hand in hand with the ESG Product Specialist. In the first half of 2022, Carmignac has planned the recruitment of two new ESG dedicated personnel.

TRAINING

Scheduled quarterly training of employees is paramount to ensure responsible investment and sustainability policies are practised appropriately.

In 2021, quarterly internal training was provided by the Responsible Investment team to support other teams within Carmignac (i.e. marketing and each regional commercial teams). Ad-hoc training was provided to the Legal, Compliance and Risk management teams on EU sustainability disclosure regulations, Market in Financial Instruments Directive II (MiFID II) amendments implications, and sustainability including fund classifications and strategies. The training to the investment team focused on climate risk and EU Taxonomy alignment, revenue-based sustainability goals alignment, and sustainability factors within specific sectors such as nuclear energy and sustainable nutrition.

Some employees completed the Chartered Financial Analyst (CFA) ESG certification as well as other online ad hoc ESG training. Training logs for all staff are maintained as part of our sustainability label obligations (French "SRI fund" label, Belgian "Towards Sustainability" label), and are available for consultation.

INCENTIVES TO SUPPORT STEWARDSHIP

A remuneration committee exercises its mission of fixing the principles of the Remuneration Policy[8] pursuant to the provisions of the UCITS V Directive. The objective of the committee is to make proposals to the board of directors, in its oversight function, and to review the overall remuneration policy of the company. It meets at least twice a year to make proposals to the board of directors concerning the remuneration of executive members.

Further to Carmignac's commitments and initiatives in terms of responsible investment, and in accordance with the regulation in force (Article 5 of the SFDR 2019/2088), the general management of Carmignac Gestion SA and Carmignac Gestion Luxembourg has taken into consideration sustainability risks when determining the pool of the variable remuneration allocated to all staff members.

Going forward, the Carmignac Portfolio Management Handbook outlines the new commitment to ESG linked objectives in annual business objectives active for the year 2022.

OUR INTERNAL CONTROL FRAMEWORK SHOWN THROUGH THE LENS OF STEWARDSHIP AND SUSTAINABILITY

Carmignac benefits from a solid internal control framework, which is based on the Three Lines of Defence model where each of the three lines plays its own role within the company:

1.

First-line of defence is carried out by operational departments which own and manage the various risks faced by the company

IN PRACTICE:
The Stewardship policies such as the Voting policy, the EU Shareholder Rights Directive II (SRD II)- compliant Shareholder Engagement Policy and the annual Engagement and Voting Reports are managed within the Responsible Investment team and regularly updated. Where these policies are updated to include new processes, for example when our voting participation objective was raised to 100% in 2020, approval from the ESG Governance group is required. Carmignac also aligned its Shareholder responsibilities with the SRD II requirements and created a new Shareholder Engagement Policy in 2021.

2.

The second line of defence is generally comprised of the Compliance function and of the Enterprise Risk Management function

IN PRACTICE:
The stewardship policies were reviewed by the Compliance function and the Company Secretary department to ensure that: 1) the policies accurately reflect procedures, 2) the methodology is clear and well documented, 3) that the source of the reports can be verified if using 3rd party data, 4) it meets any regulatory requirements, and 5) it is comprehensible to investors and regulators. This is enabled through a compliance document validation tool; a multi-tiered review process where all marked-up versions and final versions are recorded.

3.

The third line of defence falls under the responsibility of the Internal Audit department which provides an independent assurance that the first two lines of defence are effective

IN PRACTICE:
A specific audit on the EU SFDR 2019/2088 regulation implementation was conducted in 2021.

3 recommendations were made:

- *Online publication of SFDR adverse impact (PAI) statement for Carmignac (advisor) is missing, while it was noted that Carmignac (asset manager for its Luxembourg and Paris companies) were present.*
- *A more detailed explanation of our ESG related benchmarks in fund prospectuses.*
- *The inclusion of the fund Carmignac Court Terme in the SFDR classifications.*

(8) https://www.carmignac.co.uk/en_GB/article-page/regulatory-information-1788

CARMIGNAC, RISK MANAGERS

As an active investment manager and a pioneer in Europe of mixed asset funds under the “Patrimoine” range of funds, Carmignac has at its core a risk managed approach embodied in the “Carmignac Risk Managers” tagline. Risk management is applied in the flexible funds with active exposure management according to macroeconomic, systemic, market and other factor risks.

OUR GOVERNANCE STRUCTURE:

CHRISTOPHE PERONIN
General Manager
Carmignac Gestion

RISK OVERSIGHT

EDOUARD CARMIGNAC
CIO and Managing Director
Carmignac Gestion

MANAGEMENT **TEAM**

1. WITHIN THE INVESTMENT TEAM

Front Office Risk Management team

There are 2 members of the Investment team dedicated to monitoring portfolio risks across all funds but most particularly the Carmignac Patrimoine range. The Front Office Risk Management team led by Guillaume Huteau monitor the common risk factors across as measured by beta and correlation of funds such as:

- EQUITY, FACTOR RISK AND STYLE RISK
- INTEREST RATE CURVE, NOMINAL AND BREAKEVEN RISKS
- CREDIT RISKS
- CURRENCY RISKS
- COMMODITY RISKS

Strategic Investment Committee (SIC)

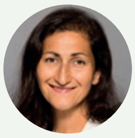
The SIC is composed of the five most senior members of the Investment team as well as the Front Office Risk Manager, as secretary of the Committee.

Edouard CARMIGNAC
CIO

David OLDER
Head of Equities

Keith NEY
Fund Manager

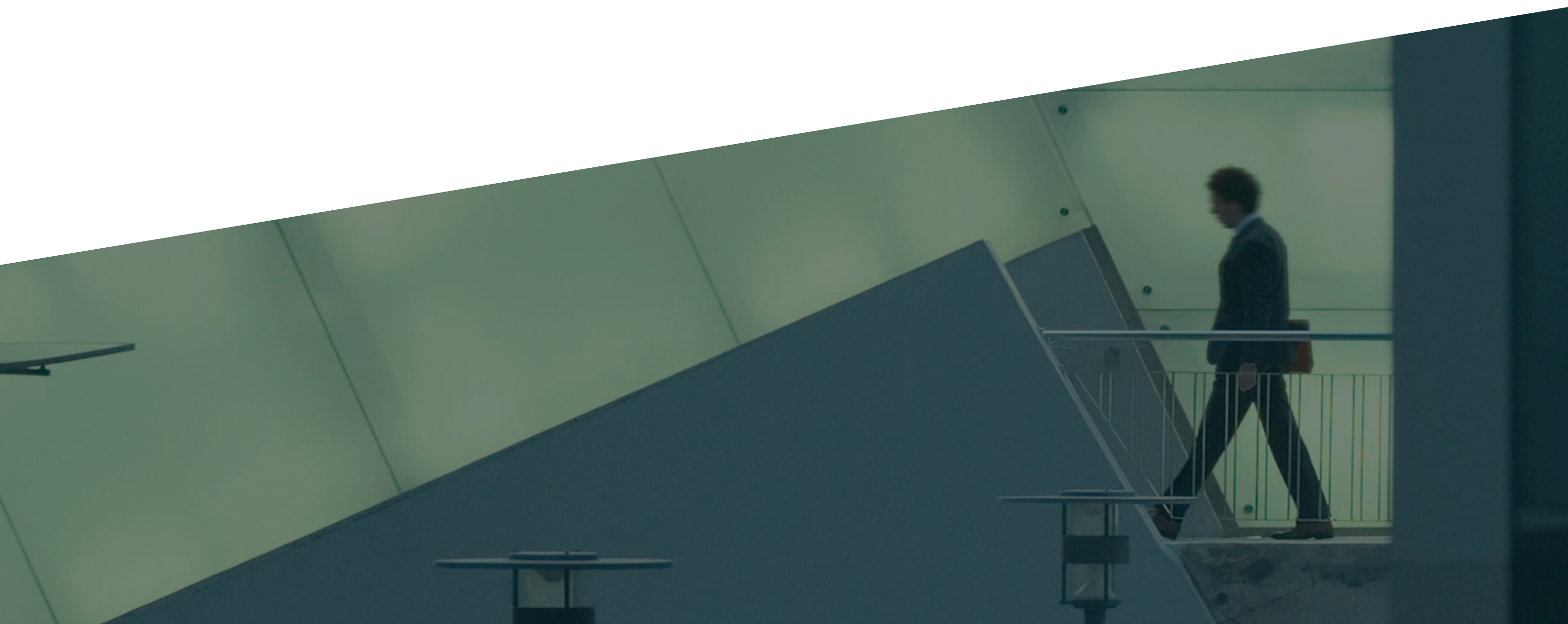
Frédéric LEROUX
Head of Cross Asset



Rose OUAHBA
Head of Fixed Income

Guillaume HUTEAU
SIC secretary, Front office Risk manager

The SIC meets every week and on ad-hoc basis as required. It seeks to establish robust market convictions based on the micro and macro-economic research produced by our analysts, for all asset classes. It is important to note that every Portfolio Manager (PM) remains fully autonomous and accountable to management for his or her fund/s. The SIC provides an additional tool to help strengthen the top-down component of investment strategies. Therefore, its input is most relevant for funds with a high degree of top-down decision making such as our mixed assets funds.



2. INDEPENDENT OVERSIGHT: THE OVERSIGHT RISK MANAGEMENT TEAM

Risk oversight lies at the heart of the investment process. It is inseparable from the search for performance. We pay close attention to identifying, quantifying and analysing the risks attached to our investment process. The Risk Oversight team is responsible for the day-to-day monitoring of portfolios' risk profile.

The Risk Oversight team reports directly to the General Manager, Carmignac Gestion, Christophe Peronin, and is independent of the investment management team. He also chairs the Risk Committee which is the main decision-making body for risk policy. There are currently six people in the team, led by Patrick Temfack who has more than 10 years of experience in this field.

Throughout the day, the risk oversight team monitors compliance with the different investment constraints set for each fund and provides investment management teams with a detailed report. These constraints generally take place in the following way:

REGULATORY CONSTRAINTS: Laid down by the regulator in the fund's home country (AMF in France, CSSF in Luxembourg, ICB in Ireland and FCA in the UK), these apply to all asset management market participants.

STATUTORY CONSTRAINTS: These follow the description of the investment strategy, and therefore investment rules, set out in the fund prospectus and/ or any other relevant documentation.

INTERNAL CONSTRAINTS: Determined by Carmignac's Risk Committee, these are more restrictive internal rules aimed at reducing risks identified as being significant when taking macroeconomic conditions into account, even if they would be permissible from a regulatory and statutory point of view. These rules may be reviewed and if necessary, adjusted at the Risk Committee's discretion.

THE RISK OVERSIGHT TEAM HAS ALSO FORMALISED AND EMBEDDED SUSTAINABILITY RISK INTO THEIR OVERSIGHT:

- Carmignac's IT systems development and investment has permitted an efficient process using a combination of Add-in functions and the CMGR compliance management tool to monitor sustainability related risks and individual fund prospectus rules on key metrics such as:
  - Carbon emissions targets;
  - Universe reductions;
  - Exclusion lists;
  - ESG scoring rules;
  - EU green taxonomy eligibility
- The Risk Oversight team participates in fund associations specialist working groups to define and create best practices. For example, a member of our Risk Oversight team recently participated in an ad-hoc working group gathering the risk management teams within the fund management industry to share common practices of managing the different types of sustainability risks within the general risk function on an ex-ante and ex-post nature. For more information regarding our commitments to industry bodies and affiliations please see the Collaborations section of this report.

Identification and monitoring of market-wide and systemic risks:

	Market and systemic risk	Credit risk	Counter-party risk	Investment strategy non-compliance risk	Liquidity risk
RISKS IDENTIFIED	**Risk of loss due to fluctuations in the portfolio's market value**	**Risk of an issuer defaulting and failing to repay its debt**	**Risk of a counterparty defaulting and being unable to meet its obligations**	**Risk of failure to respect investment constraints**	**Risk of temporary or permanent inability to sell one or more assets held in a portfolio**
MAIN INDICATORS USED TO MEASURE THE RISKS	- Equity risk (equity exposure), - Currency risk (currency exposure), - Interest rate risk (modified duration), - Credit risk (issuer or issue spread), - Regional risk (emerging market exposure) - Volatility, Value at Risk, Shortfall, Stress tests (mathematical forecasts)	- Credit rating - CDS spread and/ or change in share price if listed - Debt instrument's structure	- Legal status - Credit rating - CDS spread and/or change in share price if listed - Counterparty news watch	- Number of breaches observed - Frequency of breaches observed - Nature of breaches	- Minimum size - Holding ratio - Free float percentage - Time required to sell assets - Number and weighting of the least liquid positions - Portfolio liquidity profile in normal and distressed market

IN PRACTICE: market and systemic risks oversight explained

1. CLIMATE RISK

Carmignac has formalized its commitments to take climate change issues into account in its investment process, joining forces with the "COP 21" initiatives and adhering to the principles of article 173 which is now the Energy Law Article 29, of the French government's Monetary and Financial Code (L533-22-1 of the French Monetary and Financial Code).

- In January 2020, Carmignac became a **supporter of the Task Force on Climate-related Financial Disclosures** (TCFD) and we have included in our report: Climate Policy and Carbon Emissions Reporting(9) , a first report in brief according to the TCFD recommendation. We engage with our investee companies to encourage more information in this regard as part of our shareholder engagement initiatives. Since March 2020, Carmignac has implemented a policy(10) of excluding thermal coal producers with a limit of 10% of revenues or 20m tonnes from thermal coal production for all funds Power generating plants are also excluded if their CO2t/kWh emissions are not aligned to the International Energy Agency (IEA) guidelines to keep global temperature rise below 2 degrees, as set out by the Paris Agreement. There can be some limited exceptions to these above rules depending on credible exit strategies or the existence contributing activities please see the full details of our exclusion in our 2022 Exclusion Policy. Carmignac is committed to a total exit from coal (mines and power plants) by 2030 in all regions of the world.
- In the future by the end of June 2022, Carmignac will take climate risk management one step further by **monitoring the physical and transition risk of the portfolios in liaison as well as the biodiversity risk**. As this data will be incorporated into our proprietary ESG research system ("START"), all investment teams will be able to benefit from this risk analysis.
- **Engagement** with our investee companies is also a key part of our management of climate risks. Please refer to the Engagement and Collaboration sections of this report for more details.
- Within its own operations, Carmignac has committed to achieve **carbon neutrality** in its current and future operational activities, starting in 2019 by offsetting 2,600 tons of CO2 emissions (Scope 1 and 2, and some part Scope 3 (business travel and IT services). Please see the website for a full description of the carbon neutral project.

(9) https://carmidoc.carmignac.com/SRICA_UK_en.pdf
(10) https://www.carmignac.lu/en_GB/responsible-investment/template-hub-policies-reports-4528

2. LIQUIDITY RISK

Given the particularly complex nature of assessing liquidity risk, Carmignac's **Liquidity Risk Management Policy** is built on two pillars: an empirical approach and a quantitative approach. The Risk Management function has set internal limits to ensure that at least half of each sub-fund's portfolio can be sold within a week under normal market conditions. Liquidity is monitored on a periodic basis and assessed by the Group Risk Committee, Senior Management, Board and Executive Committees.

The liquidity stress tests framework is reviewed every two years. However, the framework can be updated sooner in certain identified circumstances. This was the case last year, following European Securities and Markets Authority (ESMA) new guidelines on Liquidity Stress Tests (LST) framework that came into force on September 30th 2020. As a result, Carmignac defined a specific policy and set-up a dedicated framework to incorporate this regulatory development.

In addition, the Covid crisis resulted in Carmignac implementing two new crisis simulations:

- Covid spreading
- Covid recovery to the existing framework

The additional hypothetical scenarios aimed at calculating portfolios' liquidity on both assets and liabilities and across various products and were implemented into the framework by the various Committees.

3. RESPONDING TO COVID-19

The Covid crisis has significantly impacted the global economy and operating business models across the financial industry. The impact of Covid on Carmignac employees, the business and the operational disruption that faced us as a firm during these unprecedented times was challenging. In 2021, a continuation of the policies put in place in 2020 were maintained.

To ensure the continuation of the Carmignac business and safety of employees required an immediate review and re-assessment across our business model. Key areas of risk were identified by Senior Management with support from IT, Compliance, HR and Risk with immediate action taken to mitigate identified risks – for example:

Employee management – working from home

- Provision of IT technology to ensure remote working from home.
- New policies such as 'How to Work from Home' rolled out to ensure the continuity of work and that employees adhered to new and existing policies during the crisis.

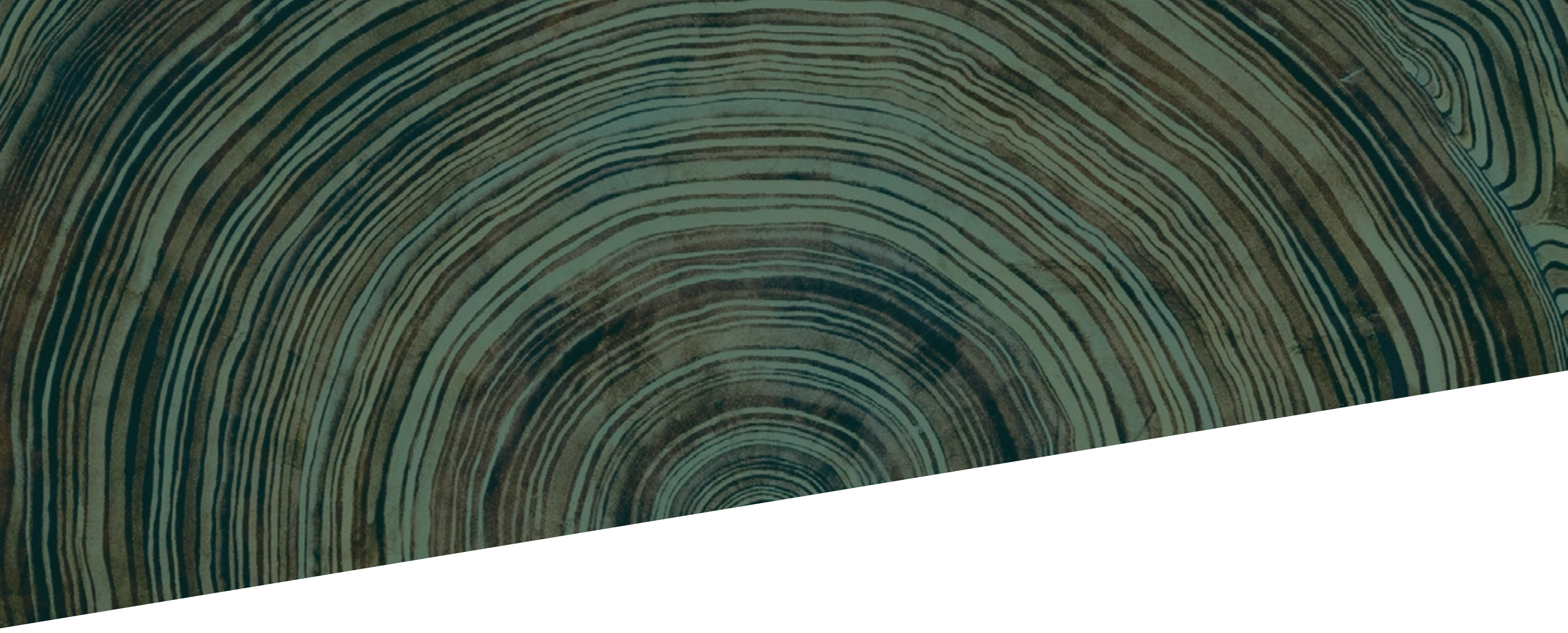
Leadership and communication with teams

- Line managers held frequent meetings with all remote teams, ensuring continual oversight and support during the period.
- Senior management and HR regularly communicated and updated Carmignac employees on the importance of mental health and wellbeing of all staff during the period and ensured they regularly keep employees updated of the various Governmental requirements.

Cybersecurity and fraud

- As threats of cybersecurity risk became significantly higher during the period, Carmignac issued frequent cybersecurity and fraud campaigns, as a constant reminder for employees to be vigilant during these times.

Not only did we put in place the appropriate procedures to most efficiently manage Covid-related risks on our operations, but we also used our role as investor to engage with our investee companies as part of our regular engagements on the business disruption impact of covid, the health & safety procedures for employees and customers.



CONFLICTS OF INTEREST POLICY: IDENTIFICATION, MITIGATION AND MANAGEMENT

Identify, manage and mitigate both actual and perceived conflicts of interest is essential to Carmignac's activities, so that clients understand their interests are always put first. Additionally, the management of conflicts is important in building long-term relationships with the companies in which we invest, as in order to drive change and have an impact on the market, we need to be seen as a trusted, fair and transparent investor.

Carmignac owes each of its clients a duty of care with respect to all services undertaken on their behalf. We place our clients' interests ahead of our own and undertake activities and cast proxy votes in a manner consistent with the best interests of all clients. The team is structured and supported in a way that aims to minimise potential conflicts of interest, but when these arise, we are able to act to achieve the best outcome for all clients.

There are a number of potential conflicts inherent in the corporate governance activity undertaken at Carmignac. A summary of Carmignac's Conflicts of Interest Management Policy is available on our website and a full policy is available on request. This policy is commensurate with the size, structure, nature, importance and complexity of Carmignac's business. Additionally, through engagement and voting, we believe the management of conflicts is important in building long-term relationships with companies for which Carmignac invests in.

Detailed opposite are some of the potential conflicts of interest that we identify and resolve through the application of the Conflicts of Interest Management Policy:

- the involvement of an employee in one or more investment services offered by the management company;
- the separation of activities that may lead to potential conflicts (such as proprietary activities and those on behalf of third parties);
- the circulation of confidential or privileged information within the management company;
- corporate offices held by employees of the management company on a personal basis or as part of their professional activities;
- commission paid or received in connection with services or activities performed by or on behalf of the management company;
- the method by which employees are remunerated in connection with the distribution of financial products; benefits or gifts that employees of the management company may receive in connection with their professional activity;
- potential conflicts of interest relating to the procedure for selecting intermediaries and service providers;
- incident management designed to protect the primacy of the client's interests;
- for personal transactions;
- giving gifts to and/or receiving gifts from clients and service providers

(11) https://www.carmignac.co.uk/en_GB/article-page/regulatory-information-1788

IDENTIFICATION OF CONFLICTS

The early identification of potential or actual conflicts of interests is essential in order to implement effective mitigation strategies or processes which help to manage that conflict before it is realised.

Potential conflict identification measures include but are not limited to the following:

- Staff training to identify and manage conflicts of interest adequately
- Annual review by the Compliance department to identify any new conflicts and to review controls around existing conflicts
- The Responsible Investment team meets regularly with the Equity, Fixed Income and Multi-asset Investment teams, Carmignac Group senior management to assist in the identification of potential future conflicts.

MITIGATION OF CONFLICTS

Carmignac has implemented a number of structures and processes to avoid potential conflicts, to reduce the risk of an actual conflict arising, and to mitigate the impact of such conflicts where they do arise.

STRUCTURE OF THE ESG & RESPONSIBLE INVESTMENTS TEAMS

The teams are structured to mitigate and manage potential internal conflicts of interest. The Stewardship Director reports directly to UK Managing Director – who is a member of the Carmignac board. The Responsible Investment team does not share line management reporting lines with any of the Investment Teams, including the Equity or Fixed Income teams. The independent reporting line to the board allows the team to form a view and take decisions that are in the long-term interests of Carmignac clients, notwithstanding the investment time horizon and strategy of the underlying portfolio.

TRANSPARENT AND FAIR IMPLEMENTATION OF POLICIES

Carmignac's ESG policies are publicly available on the Carmignac website. All policies have been approved by key stakeholders with the Carmignac Group as detailed in our ESG policy section in this document and are regularly reviewed. The transparency and governance of these policies ensures they are fairly and consistently applied, thereby assisting in the mitigation of potential conflicts.

Additionally, conflict of interest policies and descriptions are outlined within the **Portfolio Management Handbook** which is updated regularly and signed by each member of the Investment and Responsible Investment teams. Regarding our stewardship activities more specifically, it includes the potential for conflict of interest during engagements: while engaging in company dialogue any conflicts of interest or the receipt of privileged or confidential information should be dealt in accordance with relevant procedures to avoid the potential for market abusive behaviour.

MANAGEMENT OF CONFLICTS

When the organisational or administrative measures taken by Carmignac to manage conflicts of interest are not sufficient to avoid the risk of damaging investors' interests with a reasonable degree of certainty, the company will clearly inform investors of the general nature and/or source of these conflicts of interest.

1. The company records all situations in which theoretical conflicts of interest could arise in the course of its activities in the form of risk mapping.

2. Wherever an actual conflict of interest is identified (either through the internal control system or in the event of ad-hoc escalation by a relevant person), Compliance and Internal Control department ensure that appropriate steps are taken to manage it and also that the conflict of interest is recorded in the dedicated register.

3. If it becomes apparent that the measures needed to adequately manage the conflict cannot be taken, Compliance and Internal Control department will refer the matter to General Management, which shall either decide that not managing the conflict is acceptable or make the necessary decisions so that adequate measures can be implemented.

4. If it becomes apparent that the conflict cannot be adequately managed, clients must be informed of the circumstances.

EXAMPLES OF CONFLICTS OF INTEREST

To illustrate how our Conflicts of Interest Management Policy works in practice and in a stewardship context, we provide the examples below.

The investment team is requested to vote at the annual general meeting of one of its holdings:

HYPOTHETICAL CASE 1:
... that is also an institutional investor in one of Carmignac's funds.

The shareholder meeting agenda includes a resolution on the remuneration policy of the company's management. An independent study of the research related to the resolutions is made by the Responsible Investment team who recommends voting against the policy. We deem that decisions can be made independently without conflict of interest.

HYPOTHETICAL CASE 2:
... that is also a data service provider for the Carmignac funds.

The shareholder meeting agenda includes a resolution on the remuneration policy of the company's management. Given the link that we have as a client of the data provider and that we have some contacts with the senior management of the firm, a conflict of interest exists. The independence of the Carmignac Voting Policy assures that decisions are taken according to the well-established guidelines. Votes that involve decisions on remuneration are judged on independent factors such as peer group remuneration, performance of the company, links to sustainability targets. Carmignac would vote in line with these guidelines making sure that they are appropriately justified. Should there be any concerns about overriding the Voting Policy from the Investment or Responsible Investment teams then this would be escalated in line with our escalation policy described above.

OUR ESG POLICIES

Carmignac believes transparency is part of its fiduciary duty to clients and, since inception in 1989, publishes portfolio inventories on a quarterly basis. ESG policies are no different to this important practice. These policies and associated reports can be found on the Responsible Investment policies and reports webpage[13].

Carmignac's ESG policies and other key operating policies are reviewed and approved by various stakeholders within the Carmignac Group. Stakeholders such as the Stewardship Director, the Global Head of Compliance and the Internal Auditor have the responsibility to review on a regular basis to ensure independence and also that reporting is fair and balanced.

Carmignac Policy name	Content
ESG Integration Policy	ESG Integration Policy, practice methodology for equity, corporate debt and sovereign debt asset classes
Exclusion policy and Coal Exit policy	Sector and normative exclusions policy and revenues thresholds for firmwide exclusions and coal exit strategy
Engagement and Voting policies	Shareholder Engagement policy, Voting policy, Voting and Engagement reports
Transparency codes	Transparency codes as is applied by the French SRI label
Climate policy and Carbon Report	Climate policy and carbon emissions report for all funds including fossil fuel exposure
Outcomes policy	Policy explaining what outcomes 1) we have caused 2) contributed to and 3) are directly linked to
Sustainability related disclosures	Firm wide policy response summary to all articles of the EU SFDR 2019/2088

At fund-level, we also provide all core SRI and ESG Thematic funds and fund-level Sustainability disclosures on our fund website page[14] and the Responsible Investment website.

(13) https://www.carmignac.lu/en_GB/responsible-investment/template-hub-policies-reports-4528
(14) https://www.carmignac.co.uk/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526

Lastly, ***our fund annual reports*** *have a significant importance in relaying our engagement activity. They are reviewed by our Compliance and Internal Control departments and are submitted to the General Management on an annual basis and communicated to the Board of Directors.*


CARMIGNAC PORTFOLIO Green Gold

Management Report

INTEGRATION

CARMIGNAC'S APPROACH TO THE INTEGRATION OF ESG WITHIN OUR INVESTMENTS

As responsible investors and active stewards of our clients' assets, we consider part of our fiduciary duty is to manage ESG risks and opportunities across all asset classes when investing on behalf of our clients. We believe that by integrating ESG analysis into our investment process, we will be able to achieve long-term sustainable performance through risk mitigation, identifying growth opportunities and recognising the financial value of intangible assets, while striving to achieve positive outcomes for society and the environment.

In 2020 Carmignac launched **START***, our proprietary ESG research system.

The objective of this proprietary research system is to enable the integration of ESG into our investment decision-making process and exchange ESG views across our equities, corporate bonds and more recently sovereign bonds. START enables us to systematically integrate ESG research into the investment process by combining third-party data sources with our in-house analysis to provide a forward-looking view of how a company is considering its stakeholders, managing risks and benefitting from ESG opportunities.

START is built around a 4-step process:

- **1. GROUP**: companies are allocated to one of Carmignac's proprietary ESG 90 industry groups;
- **2. COLLECT**: large amounts of raw data concerning business practices are collected from a range of specialised data sources (for further details see the ESG external data providers section of this report);
- **3. RANK**: the companies are ranked against their peers and given a baseline rating;
- **4. ANALYSE**: in-house expertise is applied to existing analysis.

* START : **S**ystem for **T**racking and **A**nalysis of a **R**esponsible **T**rajectory

ESG considerations are critical to understanding a company's business practices as well as forecasting its financial performance. The Carmignac Investment Analysts and PMs are therefore responsible for undertaking and monitoring the qualitative ESG analysis of all companies on START before they invest. This helps ensure a company's ESG profile has been reviewed before an investment decision is made.


CARMIGNAC

ESG INTEGRATION POLICY

For further detail of our approach to the integration of ESG considerations at asset class level and on our proprietary tool START, please consult our ***ESG Integration Policy***[15] *document available on our website.*

CARMIGNAC'S APPROACH TO ESG EXCLUSIONS

We believe our investments should be made in companies with sustainable business models and which are exhibiting long-term growth perspectives. As such, we operate global normative exclusions of companies that do not respect United Nations Global Compact principles or OECD Business norms and human rights and abuses. We monitor these controversies and abuses through a third-party provider but also perform our own proprietary analysis to form views with regards to the companies' actions and policies to mitigate norms based related risks. Secondly, Carmignac applies across all of its fund range sector inclusions based mainly on revenue thresholds.

Carmignac also practices an extended exclusions policy which can be applied to funds that have made a further commitment to sustainability policies and practices such as the funds accredited with the Belgian Towards Sustainability label. These sectors can include conventional and unconventional energy, gambling, all weapons, animal protein processing, alcohol.

We also detail our approach in our Exclusion Policy available on our website[16] *.*

(15) https://carmidoc.carmignac.com/SRIIP_UK_en.pdf
(16) https://carmidoc.carmignac.com/SRIEXP_UK_en.pdf

FIRM-WIDE HARD RESTRICTIONS

(transactions are prohibited and blocked on trading tools)

Controversial weapon manufacturers that produce products that do not comply with treaties or legal bans*.

Tobacco producers, wholesale distributors and suppliers with revenues over 5% from such products.

Thermal coal miners with over 10% revenues from extraction or more than 20 million tonnes from extraction per year.

Power generators that produce more CO_2/kWh than the defined threshold**.

Adult entertainment and pornography producers and distributers with over 2% revenues from such product.

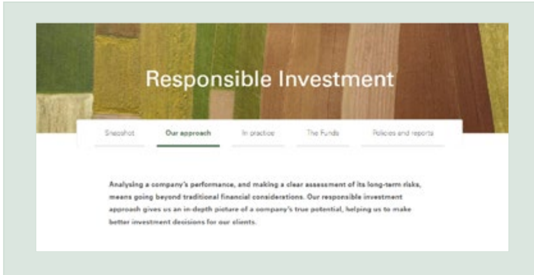
International Global Norms violations including OECD Business Principle, ILO Principles and UNGC Principles.

* Companies that do not comply with: 1) The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2) The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3) The Belgian Loi Mahoux, the ban on uranium weapons; 4) The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5) The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.

** In line with the 2-C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO_2 data not available.

ESG INTEGRATION: 2021 HIGHLIGHTS

In 2021, we continued our efforts towards a greater integration of ESG considerations within our investments. We have continued to enhance the robustness of our ESG integration process by putting in place new policies[17] and added depth and breadth to our ESG-related analysis across all asset classes as demonstrated below:



FUND ESG CLASSIFICATIONS

As active investors, we are fully cognisant that responsible investment is no longer an investment theme by itself but is becoming a core component of tomorrow's investment world. We have monitored the recent influential developments in sustainable finance such as the SFDR, the EU's sustainable finance Taxonomy, the Markets in Financial Instruments Directive II (MiFID II) and the Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements which are aiming to introduce a set of robust sustainable finance standards. Given the importance for our clients of our alignment with both these European and UK sustainability standards and also national labels (e.g. "Label ISR" in France and Label "Towards Sustainability" in Belgium, we have taken steps to review the composition of our funds and further integrate ESG considerations within our product range to allow us to meet this robust set of sustainability standards.

Carmignac engaged teams all across the firm **to reach our ambitious objective of 90% of eligible assets under management (covered by SFDR) composed of Article 8 and 9 funds by the end of 2021**. While the asset management industry is currently at 4% in Europe, we have achieved 17%[18] of our funds categorised as Article 9 (SFDR) as of 31st of December 2021.

OUR "OUTCOMES FRAMEWORK"

To meet demands and facilitate the classification of seven of our Equity funds to the ambitious Article 9 (SFDR), Carmignac has built a rules-based "Outcomes Framework" in line with the United Nations SDGs[19].

To ensure that "no one is left behind" (the central promise of the 2030 Agenda for Sustainable Development1), the SDGs can act as a guide to help investors understand how their investments may contribute towards shaping positive and meaningful outcomes for society and the environment.

(17) https://www.carmignac.co.uk/en_GB/responsible-investment/template-hub-policies-reports-4528
(18) Calculated based on Carmignac's AUM as at 1/1/2022
(19) https://sdgs.un.org/goals

Carmignac's proprietary Outcomes Framework maps more than 1,700 business activities and associates them to 9 of the 17 SDGs. We deem these 9 SDGs as 'investable', which means that companies our funds can invest in are able to support progress towards these goals, through their products and services. The investable SDGs identified by Carmignac are:

A FOCUS ON 9 SDGs[19]

1 NO POVERTY	NO POVERTY	2 ZERO HUNGER	ZERO HUNGER	3 GOOD HELTH AND WELL-BEING	GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION	QUALITY EDUCATION	6 CLEAN WATER AND SANITATION	CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES	SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	RESPONSIBLE CONSUMPTION AND PRODUCTION

Aligned companies are identified through company revenue data. To do this, we have created a proprietary business activity classification system that we have mapped to the SDGs. This system uses raw company revenue data from third-party provider to identify which companies operate in these business activities and are therefore aligned with the SDGs.

In order to be considered SDG-aligned according to our Framework, a company must derive at least 50% of its revenues from business activities that have a positive contribution to at least one of the nine SDGs listed above. Once a company exceeds this 50% threshold, we consider the company to be 'aligned' and consider a fund's entire economic exposure to that company as such when calculating fund-level alignment.

7 of Carmignac's equity funds have now **an objective of investing more than 50% of their net assets in companies** that have a positive contribution to society and the environment.

For more information around SFDR and the implications of this sustainable finance classification, please consult the following Insight pieces we published on our website[20].

(20) https://carmidoc.carmignac.com/SRISFDR_FR_en.pdf

INTEGRATION OF ESG IN SOVEREIGN BONDS

Regarding sovereign bonds, while external solutions are slowly being developed, we took the initiative to build our own proprietary models in order to ensure ESG integration and to provide material information to our clients.

The following two models were developed over recent years.

1. A Global Sovereign ESG Risk model: assesses ESG risks faced by developed and emerging countries; **and**

2. An Emerging Markets Impact model: aims to guide impact investment across emerging countries.

We provide below the sources and weight of the metrics used in our ESG sovereign models:

#	Criteria	Source	"Global model" weights	"EM Impact model" weights
Environmental				
1	**CO_2 emissions per capita**	**Our World In Data – Oxford University**	**20%**	**33%**
2	**Share of Renewables in total installed capacity**	**BNEF (Bloomberg New Energy Finance)**	**20%**	**33% (with a malus for high or increasing coal usage)**
3	Share of Coal in total installed capacity	BNEF (Bloomberg New Energy Finance)	20%	-
4	**Ambient PM2.5 (fine particles)**	**Institute for Health Metrics and Evaluation**	**20%**	**33%**
5	Ratification of Paris Accords	United Nations Framework Convention on Climate Change	Malus of 0.2 if not ratified	-
6	Environmentally controlled solid waste treatment	World bank report "What a waste 2.0". Data from United Nations Statistics, OECD, and regional and national reports	20%/3	-
7	Health years lost due to unsafe sanitation	Institute for Health Metrics and Evaluation	20%/3	-
8	Health years lost due to unsafe water	Institute for Health Metrics and Evaluation	20%/3	-
Social				
9	**Life expectancy at birth of both sexes**	**World Bank**	**20%**	**25%**
10	**GINI – income coefficient**	**World Bank**	**20%**	**25%**
11	**Education (PISA & Litteracy rate)**	**PISA (Reading, Maths, Science) – OECD Litteracy Rate – World Bank**	**20%**	**25%**
12	GDP Per Capita PPP	IMF	20%	-
13	**HDI**	**United Nations - Development Programme**	**20%**	**25%**

Included in both models

#	Criteria	Source	"Global model" weights	"EM Impact model" weights
Governance				
14	**Ease of Doing Business**	**World Bank**	**20%**	**25%**
15	**Fiscal Position (deficit as % GDP)**	**IMF**	**20%**	**25%**
16	**Debt as Years of Revenue**	**Gross Debt to GDP and Revenue to GDP – IMF**	**20%**	**25%**
17	**Current Account Position**	**Current Account to GDP – IMF**	**20%**	**25%**
18	Economic freedom	The Heritage Foundation	20%	-

Included in both models

More details on the methodology can be found in our ***ESG Integration Policy document*** *(21).*

CONTINUOUS IMPROVEMENTS TO OUR PROPRIETARY ESG RESEARCH SYSTEM START

Within START, we have implemented an engagement tool to more efficiently capture our company engagements and more efficiently monitor companies' responses to our engagement requests. When appropriate, we may update START ratings after an engagement. For example, in 2021, following an engagement with industrials company Autostrade, we manually overrode its START rating from the lower score of C to the higher score of B as the ESG Analyst who conducted the engagement deemed that the company had addressed our concerns regarding a safety incident. We are, in 2022, working on a field in START to identify whether an engagement triggers a change in START score, which will help assess the impact of our engagements as well as the need for follow-ups.

More broadly, we have also made some additions to our data flow and functionality within START by incorporating our proprietary sovereign ESG scoring system and using data provider Beyond Rating as a third-party comparison.

A large part of our fixed income funds already uses this scoring process and this initiative should help facilitate ESG integration with a more efficient and automated portfolio view of sovereign risks.

(21) https://carmidoc.carmignac.com/SRIIP_FR_en.pdf

USE OF ESG EXTERNAL DATA PROVIDERS

Through **START**, Carmignac leverages the following third-party data providers:

Provider	Service Provided	Activity
TR REFINITIV	ESG factor company data	Since 2019
S&P TRUCOST	Climate data, including fossil fuel, Paris alignment	Extended subscription in 2022 to include physical and transition climate risk
FACTSET	Company revenues per business activity	Extended licence in 2021 to the responsible investment team
MSCI	Comparative ESG rating to our internal proprietary START framework, exclusions and business involvement screening	Since 2012
ISS	Controversy screening and proxy voting service	Since 2015
BEYOND RATING	Comparative ESG rating to our internal proprietary sovereign scoring system	Review of sovereign ESG data vendors Use to efficiently screen country ratifications

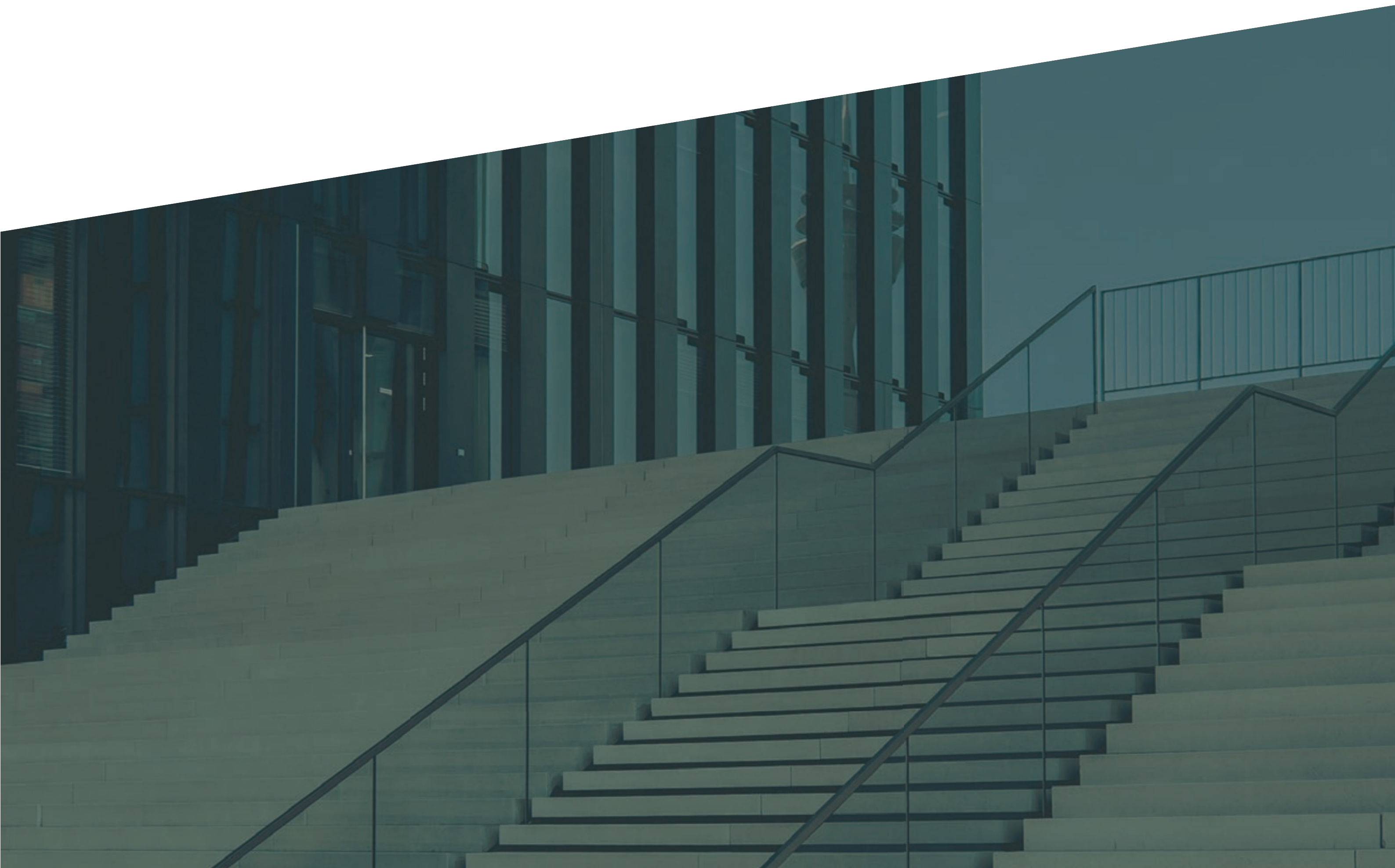
These third-party providers cover proxy advisory, leading ESG research and specific analytical tools. A very strict tender process is in place for the selection of data providers. According to our Chief Data Officer, Louis-Arnaud Iscla,

A set of criteria for selection are defined and measured across potential vendors so that the most objective decisions are made from a business value, cost and servicing point of view. As innovation contributes significantly to refining our responsible investment approach, we stay tuned to the market to offer the best outcomes possible for the investment teams and our clients.

The monitoring of the quality of the data the data providers provide is constant to ensure our investment teams and clients are provided the most current and correct information. For example, we recently decommissioned the services of a data provider as we were not satisfied with the accuracy and timeliness of the information to produce reports for our clients.

In addition, we want our ESG analysis to increasingly include forward-looking information. To remove some of the biases of stale ESG data, we have enlisted Truevalue Labs artificial intelligence data which brings up to date ESG-sentiment related information about our investments and can complement missing data points such as, for example, in the social pillar of ESG analysis, which is generally more difficult to measure.

Once the data is integrated within START, it will be displayed in a way that will be valuable for the Investment teams in their day-to-day research.



ENGAGEMENT

As an active and responsible investor that manages high conviction portfolios, active ownership is an integral part of Carmignac's overall strategy and forms the foundation of our approach to investing responsibly. We strongly believe in a stakeholder management approach and, as an active owner, we engage with companies' management, boards, industry experts and other stakeholders across our equity and bond holdings.

In 2021, we stepped up on our commitment and published a detailed Engagement Policy[22] on our website which sets out our approach to engagement including the engagement process and escalation. In line with the requirements of the EU SRD II, we provide in this section information regarding the execution of our Shareholder Engagement Policy.

CARMIGNAC'S APPROACH TO ENGAGEMENT

WHY WE ENGAGE

Carmignac engages with companies' management for three reasons for our equity and corporate bonds:

1.

GOING BEYOND ESG THIRD PARTY DATA
As ESG data provided by company reports or external agencies is often backward-looking and infrequently updated with a time lag, a responsible investor should not solely rely on this data. Our engagement activities can help us better understand the forward-looking view of companies' strategies including how they are managing their ESG risks.

*For example, in 2021, we engaged several times with cruise company **Carnival Plc** which was according to our internal analysis, rated unfairly by a leading ESG data provider. This example is now part of our Quarterly Voting and Engagement Report than can be found here[23].*

(22) https://carmidoc.carmignac.com/ESGEP_FR_en.pdf
(23) https://carmidoc.carmignac.com/SRIQVER_FR_en.pdf

2.

ENGAGEMENT AND FINANCIAL PERFORMANCE

Academic research[24] is increasingly showing that effective ESG engagements lead to improved financial performance by increasing the level of information available to investors for decision-making processes. Through the opportunity to share best practices, we believe that our purposeful engagements will result in long-term value creation for our clients, society and the environment.

3.

FINANCIAL RETURNS & CREATING POSITIVE VALUE FOR SOCIETY AND THE ENVIRONMENT

We believe that our fiduciary duty covers both financial returns and creating positive value for society and the environment. To drive positive impact through our investments, we use our engagement ability as an active ownership tool to help companies identify the ESG drivers that are material to improve their corporate's ESG profile.

*Our Engagement with energy company **TotalEnergies** in 2021 reflects this desire to focus on material factors and positive outcomes. At the beginning of 2022, we created a new page in our website to host these case studies in a dynamic way, as illustrated here:*


TotalEnergies

Sector: Oil&Gas
Region: Europe
The company's equity is held within Carmignac Portfolio Green Gold, our thematic ESG fund which invests in innovative companies that are actively addressing or contributing to climate change mitigation across the whole renewable energy and industry value chains.

While engagement can be the catalyst for real change in companies' ESG ambition and performance, we recognise that successful engagement is not systematic. While not trying to micro-manage or pilot companies by telling them what to do, we see our role as stewards of capital, helping them with their direction of travel in order to accompany a positive trajectory.

With this in mind, some of our engagements have only resulted in clarifications on ESG governance, strategy, risk management, targets and metrics.

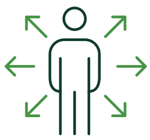
For example, in 2021, we engaged with an **online travel company** after an initial refusal to meet (strong preference to email responses to specific questions) but the investor relations team was not comfortable discussing ESG topics. However, due to an increasing number ESG of requests (albeit from a low base), and our persistent interest, the online travel company are putting together an ESG report which will have full answers to the questions they have been asked. We will follow their progression and look to re-engage should the report not materialise.

(24) For example: https://www.unpri.org/download?ac=4637

WHO CONDUCTS THE ENGAGEMENT?

Company engagement is carried out by the 3 groups within the investment team – research Analysts, PMs, ESG analysts and the Governance analyst. The Governance Analyst coordinates the Engagement plan enlisting the ESG analysts for their area of expertise as support and collaborating with the sector analysts and PMs for joint decisions of engagement rationale whereas the oversight of the Engagement policy is performed by the CIO, Edouard Carmignac and Managing Director, Maxime Carmignac.

Furthermore, at an operational level, a Responsible Investment Governance group, composed of Maxime Carmignac, the Stewardship Director, and the Governance Analyst decide on the annual engagement programme as well as to ensure ongoing oversight.



SHARING ENGAGEMENT INFORMATION

On a weekly basis, summaries of company engagements undertaken by the Responsible Investment team are shared with the investment team in order to highlight the main points of the discussions and potential follow-ups.

All company engagements are also recorded in a front office database and shared between the Responsible Investment team and Investment teams to monitor our investee companies. Information recorded includes the engagement notes, a summary of the engagement and the identified action points requested from the company.

AUDITING OUR ENGAGEMENT RECORDS

At Carmignac, 13 of our funds have a French Label ISR. In the context of the label audits, several times per year, our engagement approach and records are audited by a third party (Ernst and Young). This is the opportunity to improve our communication to clients on this topic by sharing best practices in the industry and complying with the increased transparency expectations of the label. In 2021, we took the third party's recommendation into account and included the number of engagements performed per fund, an information that will appear in our annual reports.

ENGAGEMENT WITH SOVEREIGN DEBT HOLDINGS

With regards to our sovereign debt holdings of fixed income issuers, while not deterring our dialogue and engagement efforts, the scale and effectiveness of engagement may be more limited as we are not share owners of the business and, as such, have more limited leverage to influence issuers. Furthermore, despite engaging with non-corporate issuers such as a sovereign, it is potentially more challenging than influencing a company. In recognition of this, Carmignac will continue to review the best ways to carry out ESG engagement to maximise impact and use of resources, including partnering and collaborating with other investors and key stakeholders. We perform extensive research for every engagement we undertake, focusing on the most material ESG factors which are drivers of a company's long-term performance.

For example, Carmignac is a bondholder in energy company Pemex, which is 100% owned by the Mexican state. We find it is more difficult to engage with the company and raise our voice as a bondholder given its ownership structure. However, we believe that since the latest government took charge in late 2018, a number of improvements have been made. Negative critique usually stems from environmental and societal controversies and poor disclosure (the latest sustainability report was produced for 2019, in Spanish only). In line with our escalation policy, we are now part of a collaborative initiative along with a number of other investors to engage with the company on the topic of climate change. By joining forces with other investors, we are aiming to raise our voice on disclosure and ESG matters.

OUR ENGAGEMENT ACTIVITY IN 2021

Carmignac, takes stewardship responsibilities seriously and devotes significant resources to ensure our clients' assets are protected and enhanced over time. We focus on the quality of our engagement discussions with our investee companies rather than the quantity of these discussions.

Our engagement activity across our equity and corporate bond holdings was triggered by the five following engagement objectives also identified in our Engagement Policy[26] document:

In 2021, we held **84** engagements with **74** companies[25]

(25) Source for all data: Carmignac internal data
(26) https://carmidoc.carmignac.com/ESGEP_FR_en.pdf

5 TYPES OF ENGAGEMENTS

1. ESG risk-related:

these engagements are triggered by a poor E, S or G score on our proprietary rating and research framework START or a low rating from a major third-party rating provider.

2. Thematic:

these proactive engagements are focused on our three defined priority themes for engagement: Climate change, Empowerment and Leadership. More detail on these themes is provided later in the relevant section of this report.

3. Impact:

we seek to understand and work with companies on their business model progression to identify their intentionality, how they intend to create additional value and lastly measure their outcome to create overall societal and environmental value.

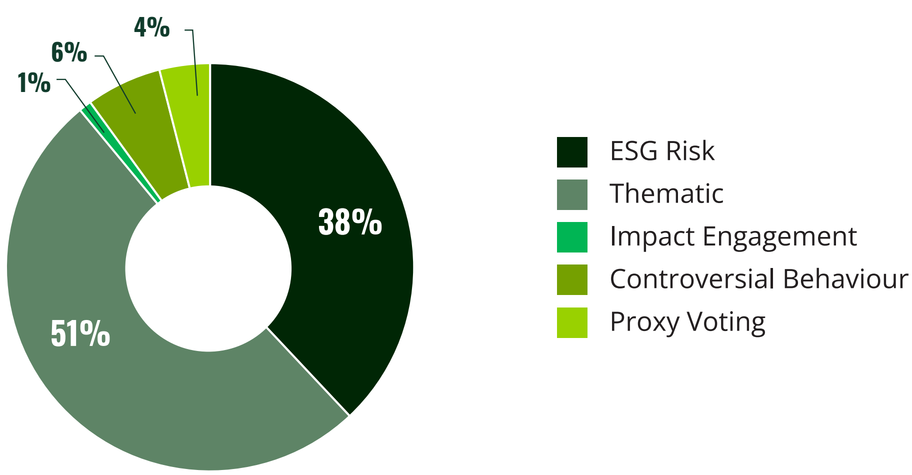
4. Controversial behaviour:

these engagements can take place with companies violating the principles of the United National Global Compact (UNGC) and/or OECD Guidelines for Multinational Enterprises. They can also take place following a significant corporate event which can potentially be material for the investee company including its financials and reputation.

5. Proxy voting decision:

this refers to conference calls or in-person meetings conducted before and/or after a company's general meeting. The purpose of such engagement is to inform and discuss proxy voting decisions with the company.

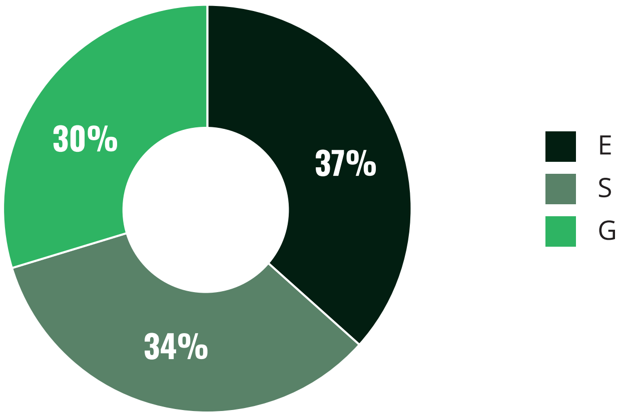
2021 SPLIT OF ENGAGEMENT TYPES*



* Source: Data as at 31/12/2021

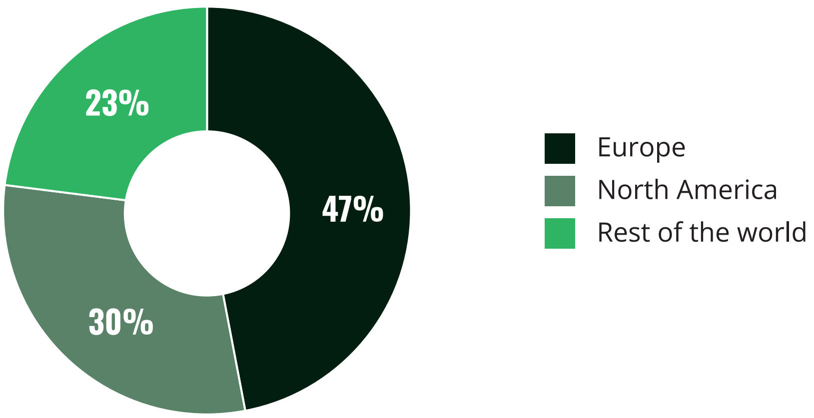
We saw a similar split between Environmental, Social and Governance engagements....

2021 ENGAGEMENT PER CATEGORY*



.... across the many regions we are invested in

2021 ENGAGEMENT PER REGION*



* Source: Data as at 31/12/2021

ENGAGEMENT IN PRACTICE: CASE STUDIES

In 2021 we prioritised our engagement on three themes which are consistent with Carmignac's investment philosophy and long-term views to guide our engagement priorities and activity:

Climate Change

We believe every company must play its part in climate change mitigation. We work with the companies we invest in to achieve emissions transparency and to transition to climate-friendly policies.

Empowerment

We believe employees are a company's most valuable asset, when cared for. We ask the companies we invest in to focus on efficiently managing their human capital for employee engagement and satisfaction.

Leadership

We believe in long-term value creation from firms that can innovate to constantly provide the best solutions for their clients. We help the companies we invest in to take a long-term view, by leveraging our own legacy as a family-run, entrepreneurial company.

Please find below examples of engagements centred around these themes:

PHILIPS

KONINKLIJKE PHILIPS

Sector: Healthcare

Region: Europe

Carmignac holding: Carmignac Long-Short European Equities

Engagement objective(s): The objective of the engagement was to assess the company's focus on the circular economy and how they can reduce their impact on the environment (Carmignac theme: climate change).

Engagement method: Direct call

Engagement summary: The company's commitment to net zero will certainly put itself in a competitive edge as customers are starting to ask questions about climate and CO2 emissions. Like for many companies in healthcare, supply chain remains challenging, although they have a good grasp of tier 1 suppliers but not others. The company has been working with consultants to have better visibility on tier 2 and beyond. The company is building partnerships and putting pressure on tier 1 suppliers to ensure tier 2 and so on are in line with their corporate commitments, which is a best practice example that we are able to encourage at other companies.

Outcome and next steps: We will continue to monitor the company.

amazon

AMAZON INC

Sector: E-commerce Discretionary

Region: North America

Carmignac holding: A number of Carmignac's equity funds

Engagement objective(s): To discuss the news of the company's founder stepping down from his role of CEO of the company and becoming executive chair (Carmignac theme: leadership). We also wanted to get the company's views on the recent employee/labour controversies, on employee engagement and diversity & inclusion policies (Carmignac theme: empowerment).

Engagement method: Direct call

Engagement summary: In terms of leadership, the company assured us the founder and CEO already had a reduced and more high-level role before the announcement and during the pandemic, so there are no expectations for major management style changes. He remains employee of the company to work on "blue sky" thinking and other projects to keep on innovating, which is in the DNA of the company.

In addition, we discussed the social controversies around trade unions to get the company's views on the topic. The company mentioned they are looking to use artificial intelligence to track employee engagement/morale and have daily check-ins with their workforce to improve year on year, with the goal to become one of the best employers in the world after having focused on customer satisfaction. Employee happiness is key to the company and they pointed out to their efforts on employee benefits (such as daily bonus for the drivers when they start on time). Now the company counts 5,000 health and safety staff and is continuing to hire with a "boots on the ground" approach at ensuring safety in the workplace.

Outcome and next steps: In complement to our engagement, Carmignac also supported a number of shareholder resolutions on social topics at the company's 2021 AGM held on 26 May. We used voting in favour of shareholder resolutions to reinforce our message to the company that we take these issues seriously. For instance, we supported a resolution asking the company to report on gender/ racial pay gap, to oversee and report on a civil rights, equity, diversity and inclusion audit and to report on potential human rights impacts of customers' use of recognition. We continue to monitor the company's ESG practices and will follow-up on our engagement with the company in 2022.

SUNAC CHINA

Sector: Real Estate

Region: Rest of the world

Carmignac holding: Held in a number of Carmignac's bond portfolios

Engagement objective(s): Given the company's low rating by a third party ESG research provider Carmignac uses, we wanted to flag to the company the areas for improvement we identified as well as explain to them the importance of ensuing they are sufficiently transparent on their ESG practices as this is data that is increasingly taken into account at investment decision level.

Engagement method: Direct call

Engagement summary: We asked the company to improve on the following:

- Independence of the remuneration committee;
- Consider diversity in the composition of the board;
- Review time commitment of board directors;
- Alignment of disclosures with ESG reporting frameworks (incl. TCFD given the Hong Kong Stock Exchange's (HKEX) support for the framework);
- Regular engagement with ESG third-party data providers given the increased relevance of ESG considerations in investment decisions;
- Set environmental targets that are aligned with a 1.5 degree of climate warming;
- Health & safety of the workforce: set a policy, targets and demonstrate they are monitoring their performance on these targets.

This engagement was an opportunity for Carmignac to express our views on the company's ESG performance and very importantly our recommendations on how they should improve their practices. We found the company systematically referred to the HKEX rules instead of expressing a strong ambition and vision on the topic. HKEX's increasingly tougher ESG requirements will probably trigger better ESG practices by the company in the future.

Outcome and next steps: We will monitor progress and will continue our engagement with them.

COLLABORATIONS

WHY WE COLLABORATE

Carmignac sees value in both direct and collaborative engagement, and it is the combination of both which leads to the most influential and effective stewardship. It is by joining forces that investors can most effectively influence their investee companies on material ESG issues, including market-wide and systemic risks, and ultimately help improve the functioning of markets.

As an independent and active asset manager representing EUR 41.7bn of assets under management[27] , joining forces with other, often larger, investors can prove especially useful to add more weight in our engagement with our investee companies.

Collaboration can be a way to escalate our engagement with companies. In the case where one-to-one engagement does not lead to a change from the investee company, joining forces with other investors can help put extra pressure on the company to act in line with a recommendation. Going forward, we will increasingly be looking at using collaboration as a means for escalation in our engagement strategy.

OUR MEMBERSHIP TO AFFILIATIONS

Membership to affiliations provides different levels of collaboration opportunities and involvement. When becoming affiliated, we make sure their purpose and mission enable them to tackle material ESG risks as well as identify market-wide or systematic risks such as climate change for example. Our policy is to seek collaboration where interests are aligned, and the objectives are based on material issues. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert.

Carmignac is a member of **11** affiliations

(27) Source: internal data as at 31/12/2021

ESG-SPECIFIC AFFILATIONS

AFFILIATION NAME	OBJECTIVE	CARMIGNAC'S ROLE
Climate Action 100+ Global Investors Driving Business Transition https://www.climateaction100.org/ Signature date: 27/10/2019	An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.	Signatory. Carmignac is also a collaborator on two CA 100+ engagements. We plan on providing more details regarding our involvement in the future.
TOBACCO FREE PORTFOLIOS https://tobaccofreeportfolios.org/ Signature date: 01/12/2019	An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.	Supporter. In line with Carmignac's long-held practice to exclude tobacco producing companies, in 2018 we formalised our commitment not to invest in companies that are involved in the production of tobacco, those which have significant ownership in such companies, as well as those which are involved in the wholesale distribution of tobacco (>5% of firm revenues) or in the supply of cigarette components, such as filters (> 5% of firm revenue). For more details, please refer to our exclusion policy available on our website at: https://carmidoc.carmignac.com/SRIEXP_UK_en.pdf
ShareAction» https://shareaction.org/	It aims to bring together investors to accelerate corporate action on climate change in key battleground sectors.	Member. Carmignac also encourages its investee companies in line with the goals of this initiative.

ESG FRAMEWORKS

AFFILIATION NAME	OBJECTIVE	CARMIGNAC'S ROLE
PRI – Principles for Responsible Investment https://www.unpri.org/ Signature date: 14/06/2012	The PRI is supported by, but not part of, the United Nations. It encourages investors to use responsible investment to enhance returns and better manage risks. It also engages with global policymakers but is not associated with any government.	Signatory. The PRI requires annual disclosures concerning financing activities and integration of ESG. Based on a self-completed report Carmignac is graded on sustainability criteria. As we are awaiting the results of the 2021 assessment, Carmignac is rated A+ in the UNPRI Assessment results 2020 for the modules "Strategy and Governance" and "Listed Equity - Incorporation".
TCFD – Task Force on Climate-Related Financial Disclosures https://www.fsb-tcfd.org/ Signature date: 05/01/2020	The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.	Supporter. In its engagements, Carmignac also encourages its investee companies to align their disclosures with the TCFD framework.

In addition to the affiliations described above, we are a member to the following other asset management-related affiliations:

European Fund and Asset Management Association (EFAMA)	The Investment Association (IA)	Association Française de la Gestion Financière (AFG)	Association of the Luxembourg Fund Industry (alfi)

Membership and active participation in affiliations allows us to build work relationships with essential players of the finance industry with the aim of ultimately improving how markets function. Whilst these organisations are not solely focused on ESG, they also play an important role in this space. For instance, Carmignac is represented at the Responsible Investing Committee of EFAMA. In 2021 we sat on four different committees set up by the UK's IA including their Sustainability & Responsible Investment Committee.

COLLABORATION IN PRACTICE: AN EXAMPLE

Carmignac is a supporter of **Tobacco Free Portfolios**, a non-profit organisation that joins the largest financial organisations worldwide to drive global change towards tobacco-free finance. Founded by Dr. Bronwyn King, who started her medical career as a radiologist working on a lung cancer unit in Melbourne, this organisation aims to reduce the impact of tobacco on people by bridging the gap between the health and finance sectors to discourage investment in tobacco companies.

A few days before the organisation of the 2021 COP 26 summit in Glasgow, the Managing Director of Carmignac UK, Maxime Carmignac participated at a roundtable event hosted by the Tobacco Free Portfolios and the Global Ethical Finance Initiative (GEFI) to present Carmignac's approach to tobacco exclusions. It was also the opportunity to present the public health arguments against investing in tobacco as well as the relationship of tobacco exclusions and achieving net zero.

Carmignac's exclusion policy stems from an ethical-based philosophy dating back to the firm's inception in 1989 of not investing in harmful sectors either for the environment or for health reasons. Therefore, we have implemented a formal hard exclusion policy. It applies to all tobacco producers, wholesale distributors and suppliers with revenues over 5% from such products.

DEVELOPING OUR COLLABORATIONS IN 2022

Carmignac is pleased to announce that we have joined the two following ESG-focused affiliations in 2022. These new memberships are aimed at reinforcing our active approach to ownership by joining forces with other investors on two ESG topics which are core to our commitment as a responsible investor: **climate change** and **empowerment**.

The **Institutional Investor Group on Climate Change**[28] (IIGCC): its mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future.

The **Workforce Disclosure Initiative**[29] (WDI): it aims to improve corporate transparency and accountability on workforce issues, provide companies and investors with comprehensive and comparable data and help increase the provision of good jobs worldwide.

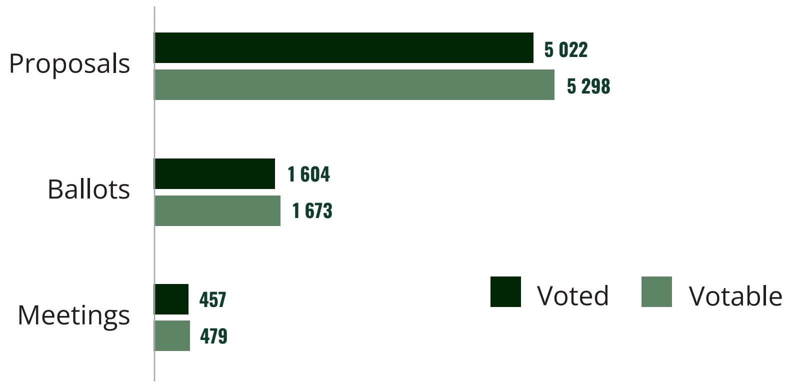
(28) https://www.iigcc.org/
(29) https://shareaction.org/investor-initiatives/workforce-disclosure-initiative

VOTING

OUR COMMITMENT TO EXERCISING OUR VOTING RIGHTS

Carmignac believes that effective exercise of our stewardship responsibility is not limited to dialogue with our investee companies. We also exercise our active ownership through proxy voting in line with the processes described in our Voting Policy[30] document. In line with the requirements of the EU SRD II, we provide in this section information regarding the execution of our Shareholder Engagement Policy with respect to voting. It is an essential part of our engagement with companies. Carmignac seeks to exercise all its voting rights by targeting a 100% voting participation rate across all our equity holdings. In 2021, we voted **5,022** resolutions at **457** meetings.

VOTING ACTIVITY 2021*



Whilst we aim for 100% voting participation across our equity holdings, Carmignac voted 95.41% of the meetings which were voteable in 2021. The missed votes were due to proxy voting technicalities such as the late set-up of voting for a new fund, power of attorney (POA) issues and one manual error.

* Source: Carmignac using ISS data
(30) https://carmidoc.carmignac.com/SRIVP_UK_en.pdf

VOTING POLICY AND PROCESS

Our Voting Policy applies consistently to all entities of the Carmignac Group across our equity and bond holdings.

VOTING SHAREHOLDER MEETINGS

To ensure consistency of our voting decisions across all our holdings and taking into account our commitment to our clients to encourage our investee companies to have robust ESG principles and behaviour, we have decided to leverage on the principles set in the Sustainability Policy defined by our proxy provider, Institutional Shareholder Services (ISS).

Portfolio managers review the votes for their fund holdings and are ultimately responsible for taking the voting decision. The ISS Sustainability Policy and voting recommendations is used to inform their decision. Carmignac's responsible investment team also provides an additional layer of valuable input and expertise on 'key votes', as described in our Voting Policy document. Complementary factors may be taken into account by the portfolio manager such as engagement, third-party research or other considerations regarding for example a company's particular circumstances.

Once the voting decision is taken by the portfolio manager, they communicate it via email to our middle office team who are responsible for the good execution of all votes.

VOTING AT BONDHOLDER MEETINGS

Whilst instances of bondholder meetings across our holdings is rare, Carmignac is committed to target 100% voting participation in bondholder meetings in 2022. We are working with our proxy provider to ensure we exercise our voice at all bondholder meetings.

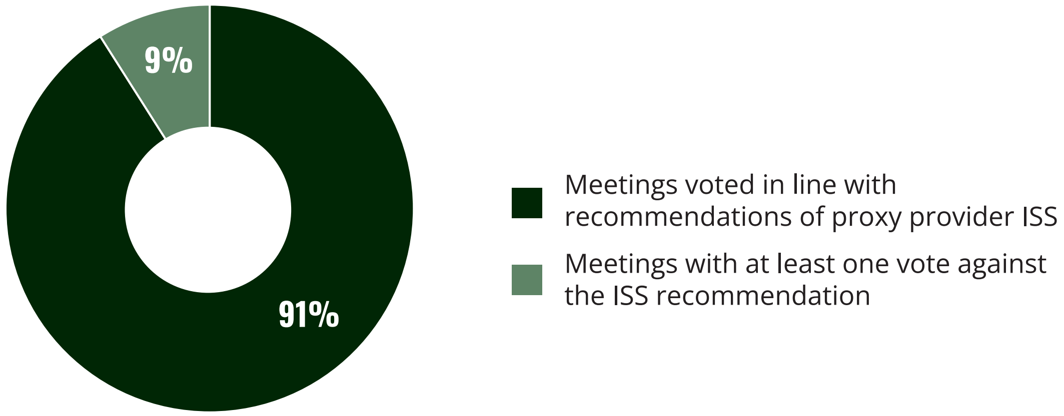
For more information, Carmignac's Voting Policy describes our approach to voting at annual or extraordinary meeting resolutions, and also our internal voting processes, including with regard to stock lending and bondholder meetings.

USE OF PROXY PROVIDERS

Since 2015, Carmignac has been using the services of external proxy voting provider ISS for their voting-related research, analysis as well as for the execution of the votes. As explained in this report and in our Voting Policy document, we may not always follow the recommendations of ISS under their Sustainability Policy.

In 2021, **9%** of the meetings we voted had at least one voting against the ISS recommendations:

MEETINGS VOTED IN LINE/ AGAINST ISS RECOMMENDATIONS*



An annual review of our proxy provider's organisation (e.g. composition of research teams), research quality and future developments around proxy voting data takes place in a due diligence meeting. These meetings are attended by representatives of our proxy provider, members of the Responsible Investment team (including our Stewardship Director) and members of our middle office team who are responsible for the good execution of our votes via ISS' ProxyExchange platform.

We do not wait for our annual due diligence meeting to provide feedback to ISS. Our feedback is continuous during the year and takes place as issues arise. Identified issues can be for example around the timing of the delivery of the research or any operational issues.

* Source: Carmignac using ISS data

A CLOSER LOOK AT OUR VOTING ACTIVITY

In line with our commitment to active ownership, at Carmignac we take our responsibility to exercise our voting rights seriously. We may vote against the management of a company where:

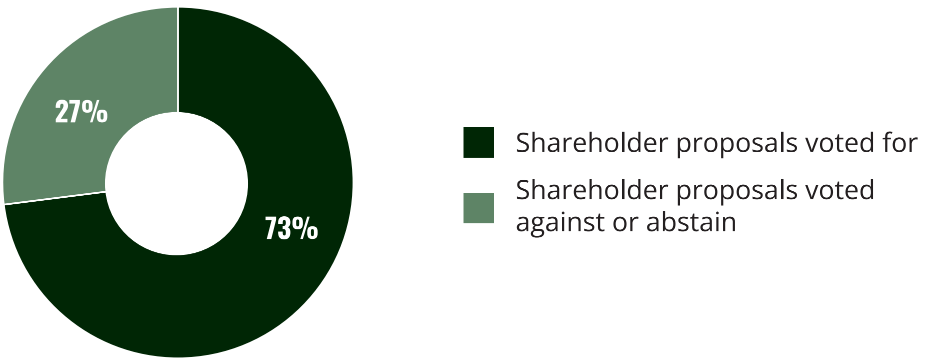
- We have engaged with a company and we decide to escalate our engagement;
- A company's policy or behaviour does not meet our minimum ESG expectations under our voting policy.

In 2021, Carmignac voted against the management of our investee companies at least once at **41%** of meetings we voted.

MEETINGS VOTED FOR/ AGAINST MANAGEMENT*

An increasing number of investors used their right to put forward shareholder proposals during the 2021 shareholder meetings season and Carmignac supported many of these proposals in line with our voting policy. We voted in favour of **85** shareholder proposals in 2021. This represents a vote of support for **73%** of the shareholder proposals we voted.

VOTINGS ON SHAREHOLDER RESOLUTIONS*



* Source: Carmignac using ISS data

VOTING IN PRACTICE: CASE STUDIES

The case studies below were chosen based on a selection of shareholder meetings we consider as significant votes in 2021. They also allow us to illustrate in more detail the process behind our internal voting decision-making process:

Resolution topic: As there are increasing calls for companies to adopt a stakeholder model, this voting is about a company who asked its shareholders to convert to the Public Benefit Corporation (PBC) status under Delaware (United States) law.

Name of the company voted and sector: **Veeva Systems (software)**

Region: North America

Issue: It was the first time a US-based publicly traded company asked its shareholders to convert to this type of structure. The PBC structure is a legal structure which was created in 2013 under Delaware law. It expands the obligations of boards and requires them to consider the interests of stakeholders materially affected by the PBC's conduct and the pursuit of the corporation's public benefit purpose as part of their fiduciary duty.

Outcome and next steps: Carmignac engaged with the company to get a better insight into their intentions and the implications of this change for its stakeholders including for shareholders such as us. This call helped us understand in more details the role of the PBC and its alignment with the company's vision. It also gave us comfort that the conversion would not significantly impact shareholder rights despite some changes around litigation rights and the factors taken into account by directors in their oversight. This direct engagement with the company and the research from ISS Sustainability Policy provided us with sufficient comfort to cast a vote of support along with the 99% of voting shareholders who supported the proposal.

Resolution topic: The apparition of 'say on climate' votes was a key highlight of the 2021 voting season. It is similar in approach to the 'say on pay', which has been in place for a long time in the shareholder meeting landscape and is used by companies to regularly submit executive director pay packages to shareholder approval.

We saw in 2021 a variety of 'say on climate' proposals. They are put forward by the company's management or by shareholders themselves and generally provide shareholders the opportunity to have a say (i.e. approve or disapprove) on the company's climate transition plans on a regular basis.

Name of the company voted and sector: **Unilever (personal goods)**

Region: Europe

Issue: At its 2021 AGM, the management of the company submitted to shareholder vote on the company's climate transition action plan.

Carmignac believes every company must play its part in climate change mitigation. We take seriously our responsibility to work with the companies we invest in to achieve emissions transparency and to transition to climate-friendly policies. This vote was reviewed by the Responsible Investment team who analysed the company's disclosures and commitments on the climate transition and checked whether they aligned with our expectations. They also reviewed the recommendations made by the ISS Sustainability Policy before making a voting recommendation to the Portfolio Manager to support the plan. When they made their voting recommendation, the Responsible Investment team took into account a number of the company's commitments including their climate targets over the short, medium and long-term and their commitment to achieve net zero emissions by 2039.

Outcome and next steps: The PM followed the Responsible Investment team's informed voting recommendation and Carmignac supported the management proposal. More than 99% of the company's voting shareholders supported the resolution.

Resolution topic: Report on Effectiveness of Workplace Sexual Harassment Policies

Name of the company voted and sector: **Microsoft (Infrastructure software)**

Region: North America

Issue: Following recent public controversies around the involvement of the company's founder and former CEO in inappropriate behaviour and reports from employees of a culture of sexual harassment, a shareholder resolution was put forward at the company's annual shareholder meeting requesting that the board releases a transparency report to shareholders assessing the effectiveness of the company's workplace sexual harassment policies, including the results of any comprehensive, independent audit/investigations, analysis of policies and practices, and commitments to create a safe, inclusive work environment.

Outcome and next steps: The detail of the resolution and the ISS Sustainability Policy research and voting recommendation was reviewed by the Responsible Investment team who provided the recommendation to vote in favour of the shareholder resolution to the three PMs holding the company in their funds. They all agreed with the view of the Responsible Investment team and a vote of support was therefore cast by Carmignac' middle office team, in line with the process described in our voting policy document.

Following the issues mentioned above and whilst we noted the company's recent public commitment to tackle the issue, Carmignac decided to support this shareholder resolution to signal to the board of directors our concerns over this issue and prompt them further in ensuring efficient oversight of the company's sexual harassment and discrimination policies and initiatives to tackle the issue.

78% of shareholders supported the resolution. It is very rare to see such a high level of support for a shareholder resolution. We will continue to monitor the company's actions on this issue.

OUR COMMITMENT TO TRANSPARENCY

In line with the requirements of the EU SRD II, Carmignac provides the full detail of our voting records for the year on our website[31].

As we continue to improve the transparency of our ***stewardship activities****, since 2022, a summary of our quarterly voting activity is also published on our website*[32]*.*

(31) https://carmidoc.carmignac.com/SRIVPRCG_UK_en.pdf / https://carmidoc.carmignac.com/SRIVPRCL_UK_en.pdf
(32) https://carmidoc.carmignac.com/SRIQVER_UK_en.pdf

DISCLAIMER

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